

# Global Political Economy and the Modern State System

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# Global Political Economy and the Modern State System

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This book is printed on acid-free paper.

This book is dedicated to my dear parents,  
to whom I offer many thanks.



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## Acknowledgements

My intention with this book is to demonstrate how an analytical approach rooted in Global Political Economy (GPE) can contribute to understanding the modern state system, its conflicts, and its transformation. For the purposes of this translation, the original German version has been slightly modified and shortened, and in some parts it has been adapted to Anglo-Saxon academic discourse. Even if I was not able to include developments in world events since 2008 (when the original version was published) and would write a number of things differently today, it nevertheless seemed sensible to me to leave the text essentially in its original form. The one exception is a completely updated chapter on the relationship between the United States and China.

I have found two inspirations for this study: the many significant global imbalances since the late 1990s, and an attempt to contribute to the debates about them taking place both in social movements and the academy. This book is a revised and shortened version of my dissertation, which I completed in March 2007 at the Johann Wolfgang Goethe University of Frankfurt, Germany, in the area of social sciences.

Academic research is always the product of collaboration. Over the last several years, a number of people and institutions have supported me; to them I offer my heartfelt thanks. The Hans Böckler Foundation provided me a three-year fellowship. Specifically, it was Eike Hebecker who was always on hand with support and advice. Further, I would like to thank Axel Honneth and all my colleagues at the Institute for Social Research, where I completed the study. The Institute provided me with an excellent support system and with stimulating discussions that ranged far beyond my own area of study. Thanks are due as well to Hans-Günter Thien, who oversaw the completion of the original book version in German for the publisher. For the English translation, David Broder and Sebastian Budgen proved to be very competent in checking the manuscript. A hearty thanks to Jeff Bale, who took on the difficult task of translating the text and in so doing has helped to make a number of German-language contributions that I use throughout the book accessible to an English-speaking audience. The original German version of the book was awarded the "Humanities International" prize by the *Börsenverein des Deutschen Buchhandels*, which made the financing and publication of this translation possible. On both counts, I express my thanks to the *Börsenverein*.

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## Foreword

Imperialism is the false name under which the concept of the world market is hidden.<sup>1</sup>

The term ‘imperialism’ generally referred, in the epoch when Marx and Engels were writing, to political régimes dominated by figures like Napoleon and Louis Bonaparte. It was rarely used to describe developing international economic or political relations at the level of the world market. This came later – but does not justify Lenin’s systematic neglect of the extent to which Marx and Engels did engage with the phenomena of imperialism.<sup>2</sup> In this sense, Sergio Bologna (see above) is right to indicate that the world market is a more comprehensive term for the study of imperialism, which implies that the views of Marx and Engels on imperialism are best approached in the first instance through their remarks on the world market. They attached great importance to the world market from the mid-1840s through to their final reflections and the world market was to have provided the last volume of Marx’s planned six-book version of *Das Kapital*. Indeed, it is in this context, that Marx described the development of the world market as implicit in the very concept of capital. Unsurprisingly, then, a close reading of their collected works, including journalism, correspondence, and excerpt notebooks, reveals great concern with the dynamics of the world market, its contradictions, uneven development, and implications for the dynamic interaction of international politics and class struggle.

Marx and Engels also wrote extensively on international relations and geo-politics more broadly. Thus, among many topics, they discussed: (1) traditional empires – including the Austro-Hungarian and Ottoman Empires and Tsarist Russia; (2) the Eastern Question; (3) the historical constitution of the modern nation state with its monopoly of organised violence; (4) the emergence of nations and nationalism; (5) how the manner and timing of state formation on a country by country basis was shaped by changes in the international context; (6) the international dimension of bourgeois revolutions as a European-wide process; (7) the role of war in completing bourgeois revolutions (such as the American Civil War or Franco-Prussian conflicts in the 1860s); (7) the origins of the theory of the balance of powers in modern international relations; (8) the contrasting international roles of the large Continental powers and smaller European states; (9) nineteenth-century colonialism, imperialism, and liberation struggles in Asia and Latin America; (10) the changing forms of economic diplomacy and the role of organised

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1. Bologna 1993, p. 64

2. See Papaioannou 1967.

force as an 'economic power' in promoting primitive accumulation abroad as well as at home; (11) treaties and international law; (12) the financial interdependence between princes and bankers across Europe and the significance of international *haute finance*; (13) the interrelations between warfare, military strategy, and domestic class struggles; (14) the development of a world monetary system and its implications for interstate relations; (15) nations, nationalism, and national self-determination and their implications for the balance of forces; (16) the link between different international strategies – free trade, protectionism, military expansionism – and the nature of the domestic economy; (17) the impact of different methods of financing wars on their conduct; and (18) the logic of the arms race and the problems of what would now be called 'mutually assured destruction' in an era of total war between industrialised nations; and much else besides concerning international relations.

This said, neither Marx nor Engels provided a coherent theoretical approach to the contradictory dynamic of the world market or the general features of geopolitics. Ten Brink relates these two concerns in terms of the horizontal and vertical dimensions of geopolitics or imperialism. It is the great merit of this fine book to have shown how such a theoretical approach can be developed and, especially, to ground it in the basic concepts of the capitalist mode of production. That this is an important task is suggested by an early speech of Marx on free trade, when he declared:

All those laws developed in the classical works on political economy, are strictly true under the supposition only, that trade be delivered from all fetters, that competition be perfectly free, not only within a single country, but upon the whole face of the earth. These laws, which A. Smith, Say, and Ricardo have developed, the laws under which wealth is produced and distributed – these laws grow more true, more exact, then cease to be mere abstractions, in the same measure in which Free Trade is carried out. . . . Thus it can justly be said, that the economists – Ricardo and others – know more about society as it will be, than about society as it is. *They know more about the future than about the present.*<sup>3</sup>

This suggests that the greater the integration of the world market, the greater the extent to which the contradictions and laws of capital accumulation come to operate. Ten Brink explores these contradictions and laws on the basis of his own skilful excavation and reconstruction of the logic of the capitalist mode of production. Through its overall theoretical conceptual critique and exposition and its continuing concern with questions of periodisation, this work enables us to better understand the imperialist past, the present world market and its associated geopolitics, and, one hopes, to shape our future for the benefit of humankind rather than capital alone.

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3. Marx 1976a (emphasis added).

As is evident from the table of contents and will certainly be reinforced by close reading of the text, this book is based on detailed and critical knowledge of an extensive theoretical, historical, and contemporary empirical literature and an innovative approach to the integration of this corpus of work. It successfully re-establishes the concept of imperialism as a scientific concept and rescues its analysis from an excessively politicised set of superficial *Kampfbegriffe*. Ten Brink aims to provide a historically-informed, form-analytical analysis of the successive stages of imperialism from its early appearance through its 'classical' phase to current developments and to frame this analysis in terms of a clear account of the broader framework of the nature of the capitalist mode of production, the contradictory dialectic of conflict-cooperation, the vertical-horizontal dimensions of the world market and inter-state relations, and other inter-societal relations.

This is reflected in a periodisation of *Weltordnungen* that goes beyond largely one-sided economic or political analyses to synthesise the interaction of geo-economic and geopolitical factors within the framework of the emerging global social formation (including, for example, the *Systemkonkurrenz* between the capitalist and Soviet blocs). All of this is related in an innovative and thought-provoking manner to geopolitical as well as geo-economic dynamics and their differential articulation in different periods.

Ten Brink develops this approach through a systematic integration of temporality and spatiality (better, spatio-temporality) into his analysis, paying special attention to the logics of accumulation and territorial conflict, the demands of the expanded reproduction of capital and those of the self-reproduction of individual states. This is possible because of the careful distinction between economics and politics and a rigorous analysis of their operational autonomy and material interdependence within a world order dominated in different ways by the logic of capital accumulation.

In the first part of the book, the author demonstrates a thorough and sophisticated grasp of the literature on imperialism from different perspectives, offers a clear and well-justified periodisation of its development, and offers a skilful and nuanced critique. He provides not only a clear account of different approaches to, and stages in, the development of imperialism, but also takes pains to comment in a critical and illuminating way on these approaches, their merits and deficits, and the requirements of an adequate approach to imperialism within a broader theoretical and historical framework. This analysis is incisive and informative, surveying a wide range of literature up to and including the most important contemporary positions. More importantly, it belongs to the best traditions of critique – it is even-handed.

The second part of the book develops this critique into an insightful synthetic account of the dynamics of capital accumulation in the imperialist period on the basis of his Marx-inspired form-analytical account of the circuits of capital and formation of the world market together with the plurality of capitalist territorial states [*Einzelstaaten*]. This is developed in relation to the argument that capitalism is a globally fragmented

system in spatio-temporal terms and that this, in turn, has major implications for the inter- and trans-nationalisation of polity, politics and policy in the world market with further implications for the global political system, international politics, and international régimes. What is especially important here is that ten Brink avoids *Ableiterei* both through his grounding of his approach in a form-analysis that shows how form problematises function, through his emphasis on the geopolitical as well as geo-economic moments of accumulation on a world scale, and through his emphasis on the uneven development of world orders. A key element here is the author's analysis of the production of space, spatial matrices, and the logic of territorialisation, de-territorialisation, and re-territorialisation. There are elements of world-system theory in this regard, evident in the analysis of forms of competition that cover both economic and military competition and their implications for interstate relations; and in the analysis of world-system competition (the conflict with the USSR). The rejection of simple *Ableitung* means in turn that more emphasis is required on structure-agency relations. Thus, following a brief theoretical excursus on the general issue of structure and agency, we get a well-grounded and insightful analysis of international régimes. This is developed in the ways described above and is linked to a number of postwar Marxist theorists, such as Brenner, Harvey, Lefebvre, Poulantzas, Rosenberg, and Teschke and to the emerging argument (inspired by Poulantzas and developed in several contexts) that the international order represents a second-order material condensation of the changing balance of forces. This leads, in turn, to a clear account of different spatio-temporal configurations in the development of imperialism: classical imperialism, superpower imperialism, and the 'new world order', linked to the modalities and rhythms of capital accumulation, types and degrees of internationalisation of capital, forms of competition, the extent and forms of transnationalisation of class relations, the changing articulation of the economic and political, and transitions between hegemonic and non-hegemonic phases.

The third part of the book distinguishes between soft (relatively peaceful) and hard (more coercive) forms of geopolitics and then re-interprets the author's periodisation on the basis of the relative weight of these two forms. On this basis, ten Brink identifies a distinctive form of imperialism that characterises the contemporary period: market-liberal etatism. This is a novel mix of hard and soft geopolitics, which can be seen as a variation on the familiar formula – free market + strong state. He then explores its implications for US imperialism, the conflictual Atlantic partnership, and the emergence of a new line of conflict between the US and China.

While influenced by several theoretical traditions, the thesis is far from eclectic. Ten Brink has a distinctive *Eigenposition* that is carefully developed and deployed. There are many small issues of interpretation where ten Brink and I could have fruitful discussions, but they are insignificant compared with the overall power of the analysis and argument and the magnitude of what has been accomplished. Overall the book makes a major contribution to the critical historical re-interpretation of the phenomenon of



imperialism as well as to contemporary developments and new forms of state intervention in the current period. I strongly recommend this book to all those interested not only in the history of critical political economy but also the dynamics of the contemporary world market.

Bob Jessop  
10th April 2008



# Introduction

This book grapples with some of the most important, but often unanticipated developments in analyses of capitalist society – namely, analyses of the ongoing existence of inter-state competition, of militarised foreign policy, and of other international, at times violent conflicts. In an effort to make sense of some of these phenomena, I develop an analytical framework for the study of geopolitics that builds on some fundamental assumptions of past research.

As was the case just after the Second World War, the end of the ‘East-West rivalry’ in 1989 and the so-called ‘end of history’ triggered much hope for the future. Not only were there expectations for a new age of prosperity, but also this new world order was assumed to be one of cooperation and of peace. Indeed, it seemed at first as if the political multilateralism of the ‘international community of states’ were the new hallmark of capitalist modernisation – underpinned by increasing globalisation of the international economy and its tendencies towards integration, and cleansed of any troublesome, anti-liberal features. In the debate about globalisation, issues such as economic disintegration and crisis proneness, competition between states, the arms race and war were all deemed to be increasingly anachronistic phenomena. If anything, ‘Western’ military intervention could be a plausible response to ‘external’, archaic traditions that stood as a threat to liberal capitalism. Brimming with confidence, a second modernity – or even a postmodernity – was predicted that would replace a world atomised into individual nation states.

Accompanying such globalisation discourse, the theory of harmonisation of international relations took on a hegemonic character by the 1990s and, as unquestioned group-think,

had effectively become common sense. This study fundamentally calls that theory into question. For example, the 'pacification of world society' has been forecast in several disciplines in the social sciences, such as strong forms of the globalisation hypothesis, in neoclassical conceptions of economic harmony, or in international relations theory.<sup>1</sup> In each case, these theoretical approaches view the institutionalised regulation of conflict through cooperation as holding the potential to initiate a civilising process of historical consequence. In each case, this claim is theoretically insufficient.

In developing a comprehensive, empirically based, theoretical critique of these established arguments, I trace the extensive, multifaceted history of the accounts of economic dependencies, state violence and interstate competition – whether in the specific relations between 'Centre', 'Semi-periphery', and 'Periphery', or whether among the richest states on earth. The first part of the book comprises a survey-like reconstruction of the debates about imperialist phenomena of the twentieth century. Because these historical debates anticipate many contemporary questions and themes, and because they were carried out at theoretically challenging levels, the second and third parts of the book take up a selection of them for critical analysis. As suggested in the critique of historical approaches in the first part, and further elaborated throughout the study by including new theoretical insights, the analytical deficits I identify must be overcome in order to successfully develop an analytical framework that both explains and historicises geopolitics.

In many places throughout this study, I refer to *geopolitics* rather than *imperialism*, particularly because the latter term too often connotes the open use of violence, or more specifically war between nation states. Consequently, the multilayered forms of conflict that undergird such violence are rendered less obvious. Because the term *imperialism* has grown into an intensely over-determined, political shibboleth – especially during the Cold War – I should offer here a brief definition of geopolitics that both allows for scientific use of the term, and avoids any theoretical biases. At least on a provisional basis, we can conceive of the phenomenon of capitalist geopolitics (or imperialism) as an open or latent praxis of individual states to defend, reinforce or extend their power against the backdrop of international economic dependencies and political fragmentation.<sup>2</sup> There are several benefits to be had by historicising and thus clarifying the term: we gain worthwhile insights into the foreign policy options that individual states have within an international context, without narrowing the term along economistic lines or framing

1. Beck 1998, pp. 26 et sq.

2. The term *geopolitics* can also be provocative in the German-speaking world. The German geopolitical school around Karl Haushofer coined the term and tied it to a biological notion of the state, a social-Darwinist conception of interstate relations as a struggle for *Lebensraum*, and a definition of the political as connected to 'natural' space. Later, *geopolitics* experienced its theoretical highpoint as an aggressive legitimisation of the expansionist policies of the National Socialists. Currently, the term is used, especially in the Anglo-Saxon world, to describe (albeit from different conceptual perspectives) the territorial strategies that modern states use to maintain their power without having direct territorial control over a given affected space.

it as a universal historical characteristic of theories of power. In a worldwide, dynamic and simultaneously crisis-prone context of socialisation [*Vergesellschaftung*] based on economic exploitation, competition and subordination, different *geopolitics* are essential expressions of how competition and conflict are *regulated*.

Many insufficient generalisations about geopolitical or imperialist phenomena have been made in the past: indeed, only a few writers still consider these phenomena to be rooted in physical and psychic dispositions (say, in a tendency of human nature towards violence). Nevertheless, geopolitical phenomena are still generally considered to be a universal fact of history (for example, in the realism school within international relations), which, in turn, leads to downplaying the specific, societal (namely, contemporary capitalist) impulses behind them. This sort of overgeneralisation runs the risk of transforming the existence of significant, systematic conflicts within and between societies (for at least some 8,000 years) into an absolute theory of eternal struggle between unequal powers rooted in some sort of human compulsion for conquest. Other theoretical approaches see in contemporary forms of imperialist politics the remnants of precapitalist relations that will only disappear once the implementation of liberal imperatives is complete. This position is untenable, as I will argue later in this book.

In this work, I attempt to bring together the evolution of geopolitical phenomena with an analysis of the fundamental structural characteristics of capitalism, broadly defined. Geopolitics is thus linked to four specific structures: 1) the internal and external class relations of modern society; 2) capitalist relations of competition and crisis; 3) money relations, and 4) based on a notion I detail below of the ‘individuation of the political’, the existence of multiple competing states – or nowadays, increasingly of macro-regional, integrated formations.

In order to make clear distinctions between the various forms of partially violent (geo-)politics, I emphasise the individual dynamics of ‘economic’ and ‘geopolitical’ forms of competition; likewise, I differentiate ‘hard’ and ‘soft’ geopolitics from one another. Indeed, there is no such thing as ‘a’ capitalist imperialism. Rather, imperialism, or geopolitics, must always be analysed in its historical specificity. Thus I pay special attention to geopolitical conflicts between the most powerful states in the world. Such conflicts today play out below the threshold of interstate war and in the dual context of transformed international power relations and transformed paths of accumulation (as seen in the rise of East Asia and China). Based on my analysis, I consider the emergence of a world-encompassing ‘Empire’, that is, of a single, undisputed claim to power, to be unlikely.<sup>3</sup> Likewise, given the geopolitical rivalries within the international system of states, and the instability of the international economy, as well as intra- and inter-societal conflict, the claim of an ‘American Empire’ does not hold.

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3. Typically ‘empire’ has previously been defined as the region in which a hegemon has authority and claims the right to make and enforce law.

Instability in the world economy, the international system of states, and broader inter-societal conflicts are often understood in theoretically insufficient ways. Even discerning, critical approaches have been less than effective in challenging the predictions for world harmony found in debates about globalisation. Take, for example, the political works of one of the most recognised social philosophers of our time, Jürgen Habermas. In the 1990s, he turned his attention to the inter- or transnational level, thereby influencing research in the social sciences. His work shows weaknesses stemming from the normative assumptions he makes (at times, based on his reading of Kant). Underlying his approach is a mix of facts with norms or values. Habermas's ideal of a cosmopolitan democracy reads as if he has projected his earlier theories of rights and democracy, which he originally developed primarily to understand domestic social relations, onto a global level.<sup>4</sup> Using concepts that were originally developed to describe domestic social contexts has, at best, limited value in understanding international or 'inter-societal' developments.<sup>5</sup> Additionally, the anticapitalists Negri and Hardt have synthesised the tendencies towards globalisation into a radical version of this same liberal, cosmopolitan approach: namely, a theory of 'Empire', according to which the competition inherent to capitalism and the world of states is transformed into a 'smooth space' in which power is practised.

By contrast, the approach I take here adopts a global perspective to analyse the conflict-laden historical significance of institutionalised, self-reinforcing structures as they transform, that is, as they are mediated by political praxis. With this approach, I develop an analysis of four structural characteristics of capitalism and how they are articulated across space and time. Based on this approach, I identify historical phases of capitalism that are internally differentiated by various socioeconomic and (geo-)political periods of development. Each of these hegemonic and non-hegemonic historical phases of world order (for example, 1870–1945, 1945–89, and from 1989 on) are the result of various (geo)political and socioeconomic power relations. Moreover, they need to be distinguished from phases of socioeconomic development and phases of statehood, even if the discontinuous rhythms of capital accumulation on a world scale are inextricably connected to power relations within the international system of states. By historicising these specific structures of capitalism, I attempt to elaborate a framework for explaining geopolitical phenomena and examining more closely my hypothesis of specific historical *constellations* of socio-political forces that in turn modify the fundamental features of capitalism I describe below. In the context of specific historical developments, and aided by the results of empirical analysis, I test the plausibility of my interpretive approach, especially the proposition of differentiated forms taken by capitalist relations of competition. In so doing, I also analyse international political institutions, which I consider to

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4. Habermas 2001, pp. 107–11.

5. In this study generally, I discuss Habermas's students (for a critique of Habermas, see Anderson 2005, pp. 113–28).

be 'second order' condensations of societal power relations, as well as macro-regional processes of integration.

The broad analytical framework that I begin to develop has three goals: 1) to move beyond structuralist approaches; 2) to avoid the narrow perspective of the nation state; 3) and to take into consideration the dimensions of conflict that play out both on inter- or transnational levels and inter- and intra-societal ones.<sup>6</sup> To guide my analysis, I examine the specific contexts of material conditions, institutions, the interplay between various worldviews, and to a lesser degree the realm of ideas or norms. I integrate diverse new research findings – critical strands within the field of international relations, spatio-economic insights from the field of geography, and approaches from materialist state theory and/or neo-Weberian analyses – to develop new theoretical instruments for this analysis. As such, I make the case for an interdisciplinary approach and against the tunnel vision that results from disciplinary divisions within the social sciences. Mine is a global analytical perspective whose starting point is a differentiated whole; in particular, I attempt to leave behind the constrained focus on individual nation states. In this sense, then, the term *Global Political Economy* (GPE) might seem to be a promising starting point on which to build.<sup>7</sup>

Undoubtedly, there are a number of important limitations in this work. One important limitation results from the primary focus on Anglo-Saxon and Western-European debates on the topic. In addition, I am only able to address the basics of several essential theoretical questions, among them the role of inter-societal relations, forms of supranational trade, and theoretical legal questions. In my analysis, which concentrates on the largest economies on earth, I either exclude or deal peripherally with important dimensions of international capitalism, such as the institutional structure of weaker states. As a result, certain causes for the emergence of geopolitical conflict are overshadowed, such as crises in countries in the periphery, crises that I consider to be a substantial factor in the use of Western intervention. In addition, I do not give sufficient attention to the meaning of 'sub-imperialist' or regional conflicts between or within smaller states, nor to the question of the impact of limited natural resources on the politics of individual states.

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6. With the adjective *international*, I mean to indicate the interaction of individual state structures, processes and actors that takes place between states or between governments. International political institutions are essentially the product of intergovernmental decisions, but they nevertheless can acquire their own relative autonomy. International economic processes, such as trade relations, are influenced by the structures of individual states. By contrast, with the term *transnational*, I refer to structures, processes and actors whose power and legitimacy do not primarily flow from individual nation states or intergovernmental territory. At issue here are above all economic actors, such as transnational corporations, or sociocultural processes in a broader sense. Transnational processes are also influenced by individual nation states, but they in turn influence those states as well. The term *supranational* can be used to capture the trans-nationalisation of politics. The term *global* can be understood as the broadly encompassing, anarchic context of structures, processes and actors at various levels ranging from the local to the international, transnational or supranational.

7. On GPE, see Ravenhill 2005; O'Brien and Williams 2010.

Furthermore, I am only able to take up in limited ways essential aspects of concrete historical constellations such as intra-societal power relations, symbolic identities (such as nationalist movements), discourses of legitimacy and other normative dimensions, and sociopsychological analysis of the dispositions of the power élite. Such discussions are simply beyond the scope of this book; the analysis of a concrete constellation must stand the test of historical events. Both the analytical framework that I sketch out in this book and the periodisation of capitalist development can nevertheless be of some value.

In the last few years, the hopes for a peaceful new world order have been dashed time and again. Diverse tendencies towards disintegration have increasingly accompanied any global tendencies towards integration. ‘Globalisation’ and the commensurate idea of an ‘international domestic politics’ or a ‘post-national politics’ have increasingly been called into question by intense economic competition, among other things. Examples of this competition can be seen in the contested forums of international economic institutions. Moreover, the 2003 Iraq War led to serious convulsions in transatlantic relations. This book hopes to make a contribution to explaining this specific world *disorder* that toggles between integration, US hegemony, and rivalry. In contrast to the political attractiveness of globalisation rhetoric, this book represents an attempt to understand conceptually *both* the tendencies towards integration *and* towards rivalry that characterise contemporary capitalism.



## Organisation of the book

The first part of the book reviews and subjects to critique various scientific approaches that have significantly shaped the debates on global rivalries throughout the twentieth century. Space considerations have led me to shorten this section significantly, which prevents me from laying out the sort of full historical and theoretical perspective that this topic deserves.<sup>1</sup>

In the second part of the book, and on the basis of this critical reconstruction of historical debates, I identify the criteria that I consider to be indispensable for constructing an analytical framework. Here, I describe four structural characteristics of capitalism, and use them to redress deficient definitions of capitalism, and, through an additional analytical step, to concretise their shifts through space and time. In so doing, I clarify various analytical approaches in order to investigate complex contexts at the 'inter-societal' level. The discussion of these four structural features of capitalism reveals institutionalised pressures to act that are built into the capitalist world system, which generate unanticipated relations of competition and conflict. It is here that I consider the plurality of individual states as a fundamental structural feature of capitalism in space and time. Simultaneously, I refer to the need for a differentiated analysis of capitalist geopolitics and the various forms of competition. This analysis cannot simply be reduced to economic processes, but rather must also account for the individual dynamic of the political sphere and the authorities within individual nation states.

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1. The first part of this book draws from a far more encompassing account, which can be found in two places: as an appendix to my dissertation, and in revised form in ten Brink 2008.

In addition, because any theory of (inter-)capitalist social conflict must acknowledge how significant the agency of collective actors is, I develop some theoretical considerations on the relationship between 'structure' and 'agency' within capitalist systems, as well as the terms historical 'phase' and historical 'constellation'. It is here that I undertake a periodisation of 'world order' phases, which also distinguishes between phases of socioeconomic and geopolitical power relations. This allows for the distinction of multiple, phase-specific variations of geopolitics. As a second step, I use a selection of specific case studies to describe these variations in socioeconomic and geopolitical trends.

Finally, in the third part of the book, I put my theoretical framework to the test by analysing the specific constellation of the phase of the 'new world disorder' since 1989. Here, I examine the ratio of 'hard' and 'soft' in the contemporary mix of geopolitics in the context of an unstable international economy, a system of market-liberal *étatisme*, and specific geopolitical and economic conditions of competition among the strongest states in the world. As evidence for the validity of the hypothesis proposed in this work, I take up the non-reality of unquestioned American imperialism, the conflict-laden international 'partnerships' even within transatlantic space, and the potential for escalating conflict given the rise of the People's Republic of China.

In the conclusion, I briefly summarise the most important results of this study.

## Part One

### **Periods of Theorising Conflict in the Modern State System**



## Introduction to Part One

In developing an analytical framework for explaining geopolitics, a useful starting point is to conduct a critical inventory of existing approaches.<sup>1</sup> The debates over how to assess the forces within the new world disorder have their own history; as such, a review of them is in order.<sup>2</sup>

Discussions about foreign policy and international economic relations between capitalist states have taken place in three historical time periods, each of which was the result of violent tectonic shifts in the world system. The first period of debate occurred at the beginning of the twentieth century, in the context of classical colonialism and ever-sharper conflicts between the most powerful states in the world that culminated in the First World War. At the end of the 1960s, and in the context of the Cold War and the end of the long postwar economic boom, a second period of theoretical debates developed. Here, a key question was whether or not an end to American hegemony was possible. More so than was the case before the Second World War, these discussions increasingly took place within the universities. The relocation of these debates led to the sporadic establishment of various Marxist, historical-sociological and other critical approaches within the field of international relations, which itself was growing in importance as a discipline. The third period of theorising conflict began with the end of the Cold War and especially with the 'War on Terror'.<sup>3</sup>

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1. See Bourdieu 1997, p. 65.

2. For an overview of these debates, see Brewer 1990; Chilcote 2000; Deppe et al. 2004; Heinrich 2003b; Kemp 1967; Mommsen 1980; Nachtwey 2005; ten Brink 2008; Wehler 1970.

3. See Chibber 2004.

Within the various theoretical approaches to explaining imperialist forms of politics, two domains of imperialist relations have generally predominated as analytical themes: relations between the 'Centre' and the 'Periphery', and relations among the most powerful states. The former are relevant to this study insofar as I examine them in relation to conflicts between the richest industrial societies. In the end, 'North-North conflicts' serve as the focal point of this study.

While (neo-)realist approaches within the discipline of international relations generally highlight the parameters of power politics to explain militarised foreign policy, critical-liberal and Marxist approaches point to socio-economic causes of state competition. Neo-Weberian theories, by contrast, seek out both political as well as economic causes. Of course, these various positions overlap one another.

The roots of these considerable differences of opinion about how to assess global rivalries and the causes of inter-state conflict are closely linked to divergent conceptions of capitalism and modern societies in general, and understandings of the significance and transformation of individual states in particular. Furthermore, how one categorises the implications of globalisation processes of both the world economy and social classes leads to distinct perspectives as well.

## Chapter One

### Critical-Liberal, Marxist and Neo-Weberian Approaches

The key issues in the first period of theorising geopolitics between 1875 and 1945 derived from the unanswered question about the forces driving modern imperialism and the balance of cooperation and conflict among capitalist states.

The left-liberal John A. Hobson<sup>1</sup> attempts to explain capitalist countries' drive to expand at two levels: economic-sociological and structural-economic.<sup>2</sup> On the one hand, when seen from an economic-sociological perspective, there exist special interest groups who profit directly from imperialism, for example, specific manufacturers who have an interest in delivering their sought-after products to the colonies, the armaments industry, or sections of the armed forces, all of which Hobson designates as 'economic parasites of imperialism'.<sup>3</sup> By means of their influence over public life and public discourse, their particular interests come to be seen as the 'national interest'. On the other hand, Hobson draws on a structural-economic framework, as well. Above all, the impetus for imperialist politics lies in each country's attempt to secure both the respective capital they have invested abroad and strong, but also growing returns on those foreign investments. In this way, industrialists, bankers, and finance capitalists develop a powerful interest in taking their own cut of the 'tribute from abroad'.<sup>4</sup> Specifically, they use politics 'to extend the field of their private investments,

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1. Hobson 1965.

2. See Heinrich 2003b, pp. 283 et sq.

3. Hobson 1965, p. 46.

4. Hobson 1965, p. 53.

and to safeguard and improve their existing investments'.<sup>5</sup> By exporting capital, certain groups see an escape from the 'crisis in demand', which ultimately results in a constant pressure to annex territory and markets.<sup>6</sup> Moreover, as creditors the banks have an interest in capital-intensive, state-backed corporations, and they are eager to acquire their share of growing state deficits, which result from higher arms spending and taxpayer financed maintenance of the colonies. In this way, protectionism becomes a 'branch of imperialist finance'.<sup>7</sup>

The classical Marxist theories of imperialism represent an attempt to analyse the fusion of imperial politics of conquest with global economic competition. In contrast to a general understanding of imperialism – such as is common within the realism school of international relations, namely a superhistorical concept, valid for all times, used to characterise the domination of stronger countries over weaker ones – Lenin, Bukharin and Luxemburg develop a definition of imperialism that is narrower and historically more specific. They emphasise that imperialism cannot be reduced to the policies of individual governments, but rather comprises a specific stage in the development of capitalism. The 'problems of valorisation' [*Verwertungsschwierigkeiten*], which each author theorises differently, motivates capital to expand internationally with the help of its respective nation state so as to realise higher profits. National economic competition is thus reproduced at the international level and ultimately transforms into political competition between states. The First World War can be understood as the result of the transformation of classical capitalism into monopolised, or state-protectionist capitalism.<sup>8</sup>

Besides Hobson's writings, the basis for Marxist theories of imperialism is the work of Rudolf Hilferding.<sup>9</sup> But it was Vladimir I. Lenin who popularised the economic foundation of emergent imperialism. Lenin's intent is to prove that the First World War was led by all sides as an imperialist war, that is, 'an annexationist, predatory, war of plunder'.<sup>10</sup> With the 'highest' stage – sometimes also translated as the 'latest' stage – of capitalism, a particular stage of capitalism is reached that is dominated by finance capital, monopolistic

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5. Hobson 1965, p. 54.

6. Hobson 1965, pp. 71–93.

7. Hobson 1965, p. 97.

8. In 1919, Joseph A. Schumpeter put forward an advanced bourgeois-liberal counterweight to left-liberal and Marxist theories (Schumpeter 2007). According to his thesis, modern imperialism is an historical relic, an 'atavism' from precapitalist epochs and political structures, in particular from the era of absolutist principalities. By contrast, 'capitalism is by nature anti-imperialist' (Schumpeter 2007, p. 73). 'Since the vital needs that created it have passed away for good, it too must gradually disappear, even though every warlike involvement, no matter how non-imperialist in character, tends to revive it. . . . If our theory is correct, cases of imperialism should decline in intensity the later they occur in the history of a people and of a culture' (Schumpeter 2007, p. 65). Schumpeter concedes that, under conditions of monopoly, corporations and financiers can develop thoroughly imperialist interests. However, protectionist duties and other measures are really only of any benefit to landlords (Schumpeter 2007, p. 79).

9. See Hilferding and Bottomore 1981.

10. Lenin 1939, p. 9.



and imperialist. Because the division of the world was basically complete by the turn of the twentieth century, the only step left is a 'redivision'. The interests of capital force it abroad to conquer colonies, because it is easier to neutralise competitors from protected colonial regions. Moreover, the 'non-economic' reasons behind the drive to conquer colonies come into play, namely the 'resolution' of social questions within European states as an example.<sup>11</sup>

Already in the first round of debates about imperialism, we begin to see analyses of longer-term trends in the development of the capitalist world system. Karl Kautsky's concept of 'ultra-imperialism' – which presumes from a capitalist perspective the irrationality of war and theorises the possibility of forming cartels over and above the level of the nation – anticipates many positions in the current discourse around globalisation. More so than with other Marxists, Kautsky treats the competitive struggle between the strongest countries not as the expression of capitalist competition, but rather as the result of political decisions that are basically determined by specific interests within the armaments industry. From this perspective, the collective exploitation of the world by an international alliance of 'finance capital' replaces competition between national 'finance capitals'. 'Just so there may develop in the present war a combination of the stronger nations which will put an end to the competitive building of armaments. From a purely economic point of view, therefore, it is not impossible that capitalism is now to enter upon a new phase, a phase marked by the transfer of trust methods to international politics, a sort of super-imperialism'.<sup>12</sup>

In contrast to this alternative of theorising imperialism, Lenin attempts to outline the persistence of anarchic global conditions through reference to socio-economic developments. Based on the concept of 'uneven development', Lenin highlights how 'monopolistic' structures emerge at an international level, but that they are anything but stable. Indeed, capitalist development in an abstract sense, as Kautsky maintains, tends towards creating world monopolies or world cartels. However, this is only a tendency that can never come to fruition. Instead, concrete economic reality runs up against any tendency to eliminate competition.<sup>13</sup> 'Ultra-imperialist alliances' are thus only conceivable on a temporary basis. Nikolai Bukharin presents a theoretically ambitious version of this thesis. He analyses a number of tendencies that are indeed interconnected, but at the same

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11. From the 1960s on, Hans Ulrich Wehler develops the theory of 'social imperialism' with reference to the theoretical tools of Max Weber – specifically, the interplay between economic developments with military and political processes that now function independently (see Mommsen 1980). Following Wehler's formulation, Germany's imperialist expansion was the result of a period of crisis after 1873, as well as of 'pragmatic [economic] expansionism that was conditioned by actual or perceived needs', and simultaneously functioned as a 'social imperialism' to create a 'consensus' on the homefront (Wehler 1984, pp. 501, 454–502). Social imperialism can be seen as the attempt to divert attention from internal 'deficiencies', or at least to compensate somewhat for the 'increase in national economic prestige'.

12. Kautsky 1914, p. 286.

13. See Lenin 1939, p. 118.

time contradictory: the growing internationalisation of capital alongside the ongoing national organisation and integration of capital, which leads to competition between state-protected capitals. Here, he assigns a dominant role to nationalisation, such that it constrains the process of internationalisation.<sup>14</sup> Thus, capital accumulation at the domestic level drives both the export of capital and protectionist policies: 'It is thus obvious that not the impossibility of doing business at home, but the race for higher rates of profit is the motive power of world capitalism... A lower rate of profit drives commodities and capital further and further from their "home". This process is going on simultaneously in various sections of world economy. The capitalists of various "national economies" clash here as competitors; and the more vigorous the expansion of the productive forces of world capitalism, the more intensive the growth of foreign trade, the sharper is the competitive struggle'.<sup>15</sup>

Imperialist conflicts are understood as a special case of competition. National economies transform themselves into a type of 'national-state' trust. Bukharin takes this tendency towards the conflation of state and capital to its logical high point in the form of a 'state capitalist trust'.<sup>16</sup> With the increased importance of the state, more than ever before it becomes an 'executive committee of the ruling classes'. The formation of state capitalist trusts has radical consequences: the competition over the domestic market is minimised, or even suspended, in order to carry it out at a higher level as the competition of state capitalist trusts over the world market. Just as a trust integrates peripheral stages of production, the state capitalist trust exhibits a tendency to conquer entire countries as an extension of its own national economy. In contrast to Kautsky's conception, this type of domination is not just limited to agrarian countries.

Rosa Luxemburg proposes an original point of view on the topic. For Luxemburg, the drive of states to colonise is not simply the result of competition in order to maintain the highest profits possible. Instead, the capitalist mode of production on the whole must penetrate non-capitalist regions in order to secure its existence. Capitalism requires new markets beyond its original national borders in order to realise the surplus value that is created through production. Luxemburg assumes that the unlimited development of productive forces characteristic of capitalism stands in fundamental contradiction to society's ability to consume. From this she concludes that in order to rescue capitalism from its internal contradictions, it must expand into 'non-capitalist milieus'.<sup>17</sup> In the process of conquering the colonies, capitalist forms of appropriation are thus regenerated, which Marx had labeled the 'original' or 'primitive accumulation of capital'. The result is a paradoxical phenomenon 'that the old capitalist countries provide ever larger markets for, and become increasingly dependent upon, one another, yet on the other

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14. See Bukharin 1966.

15. Bukharin 1966, p. 84.

16. Bukharin 1966, p. 118.

17. Luxemburg 2003, p. 397.

hand compete ever more ruthlessly for trade relations with non-capitalist countries'.<sup>18</sup> In sum, Luxemburg considers imperialism to be 'the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment'.<sup>19</sup>

After 1945, the central questions taken up by critical social scientists concerned North-South relations, and, from the end of the 1960s on, the question of an end to US hegemony. With the end of the colonial empires officially proclaimed – of considerable significance for more than half the world's population – new 'informal' dependencies based primarily on socio-economic relations began to replace the old, formal dependencies. At the same time, some states in the 'South' were able to pursue a path of development despite unequal structures in the world economy that sharply favoured development of the 'Centre'. Adopting this framework of 'neocolonial' dependencies and 'peripheral industrialisation', so-called *dependency theories* emerged in this era, and not only in Latin America.<sup>20</sup> In (various versions of) dependency theories, direct political control plays only a subordinate role. Instead, the 'structural' violence of economic conditions is considered the decisive element in constructing an 'imperialist' relationship. Indeed, in some texts economic dependency and 'imperialism' are actually equated.<sup>21</sup> In the wake of the growing New Left and, later, of the student movement in North America and Western Europe, these theories of the 'South' were more generally accepted.<sup>22</sup>

From the end of the 1960s, a controversy developed whether an end to US hegemony were possible. A series of Marxist theoreticians at the time held the position of US super-imperialism. From this perspective, the United States acts as the overwhelmingly predominant world power.<sup>23</sup> The US functions as the organiser of world capitalism and guaranties unity over and against the threat of the socialist states.<sup>24</sup> The contradictions between capitalist states lose importance. 'American imperialism has thus transformed

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18. Luxemburg 2003, p. 347.

19. Luxemburg 2003, p. 426.

20. See Seers 1981.

21. For example, Frank 1967.

22. See Galtung 1971; Senghaas 1976. Likewise, world-systems theory developed in the 1970s. According to Immanuel Wallerstein, the 'modern world system' is distinguished by economic unity and simultaneous political decentralisation. In contrast to many assumptions of dependency theory, for Wallerstein the focus of analysis is not primarily on economic entities but rather also on states. The world system is divided into 'core states', 'peripheral regions', and 'semi-peripheries'. The latter are important structural elements of the world system and cushion the social and political pressure within the periphery. Certainly, semi-peripheral regions aspire to earn the status of a central state and thus gain in regional control (see Wallerstein 1974). For Wallerstein, 'imperialism' comes to mean a super-historical constant of the interstate system (Hopkins and Wallerstein 1979, p. 162). 'Each application' of power by core states so as 'to impose price structures on the world economy' or to shift power relations to their benefit is to be considered imperialist (Amin 1982, p. 235).

23. See Magdoff 1969; Baran and Sweezy 1966.

24. See Magdoff 1969.

into a super-imperialism that controls the remaining imperialisms and conducts itself in relation to them as would a multinational corporation to its subsidiary'.<sup>25</sup> The most significant contradiction thus exists between 'an' imperialism and 'the' Third World. The consequence of US supremacy for Europe and Japan is that parts of each respective national bourgeoisie become de-nationalised – which, at least in objective terms, transforms them into representatives of US capital. Nicos Poulantzas put forward the most advanced form of this thesis. For him the most important novelty in the relationship among the major states is the formation of an 'interior bourgeoisie' under the hegemony of the United States.<sup>26</sup> An interior bourgeoisie possesses relevant economic roots within each respective country and thus cannot be compared with the dependent 'comprador bourgeoisies' of the South. However, at the same time, it is caught up in multiple dependencies within the international division of labour and concentration of capital under the hegemony of the US. The implication for the interior bourgeoisie is the tendency towards the 'dissolution of its political-ideological autonomy in the face of American capital'.<sup>27</sup> That is, the European power élite do not work in conjunction against the US, because in each case they are dependent on US capital.<sup>28</sup>

The position of *ultra-imperialism*, of a collective or unified supremacy, establishes a weakening of US hegemony, which in turn forces the United States to share the leadership role. Sharper conflicts between national capitals can be prevented by means of supranational institutions; additionally, this is supported by the fact of the general threat to imperialism posed by Third World movements and the socialist states. In this way, a 'power pyramid' develops that takes the form of a 'fusion of separate pyramids of nation-states into an international pyramid... The process of integration currently underway in the international economy can be represented as an interpenetration of national concerns and national capitals into new multinational systems of ownership and control'.<sup>29</sup> Other authors speak of a 'consolidation of an international ruling class' and the attendant 'decline in national rivalries'.<sup>30</sup> The basis for an 'international government' thus develops as a result of two trends: the 'international movement of capital' by means of multinational corporations, and the growth of international finance operations and 'international capitalist production' in the direction of an integrated worldwide corporate structure.<sup>31</sup>

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25. Jalée 1971, p. 178.

26. Poulantzas 1974, p. 166.

27. Ibid.

28. Poulantzas nonetheless distances himself from 'Kautskian ultra-imperialism'. The contradictions between states are not fundamentally overcome and retain the potential to grow again (see Poulantzas 1976).

29. Hymer 1974, p. 13.

30. O'Connor 1976, p. 153.

31. Hymer 1974, pp. 11–12.

Several authors take the position of *renewed inter-imperialist rivalries* in the context of weakening US hegemony.<sup>32</sup> They understand the economic rise of Japan and Western Europe as a challenge to US hegemony, a development that in fact is strengthened by the existence of the Eastern Bloc and the emergence of an integrated European economy. US penetration of Europe and Japan has never reached the point at which ruling sections of each respective bourgeoisie were de-nationalised. Nation states continue to defend the interests of their own 'national capital' above all. Thus, as the struggle over the world market sharpens, conflicts between nation states can intensify. Ernest Mandel extrapolates various shifts in imperialist relations, which according to him are based on changes in the movement of capital in which international concentration begins to be reflected in 'international centralisation [that is, the multinational corporation]'.<sup>33</sup> Thus he weaves together an analysis of capital movements with state policies. He sees continued 'inter-imperialist competition . . . merely in a different form' as likely: 'In this model, although the international fusion of capital has proceeded far enough to replace a larger number of independent big imperialist powers with a smaller number of imperialist super-powers, the counteracting force of the uneven development of capital prevents the formation of an actual global community of interest for capital. *Capital fusion is achieved on a continental level, but thereby intercontinental imperialist competition is all the more intensified*'.<sup>34</sup> What is new about this particular constellation is that only three world powers (Japan, the US, and Europe) are in conflict with each other and thus the danger of inter-imperialist world wars become 'extremely unlikely, if not impossible'.<sup>35</sup>

After 1989, the main concern within the heterogeneous web of explanatory models of imperialism is how to theorise the contradictory conditions in the tendency towards regional and global integration, 'US hegemony', and new international rivalries. Antonio

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32. In the second part of the book, I take up the work of some dissident authors interested in advancing Marxist theory (Cornelius Castoriadis, Tony Cliff, Michael Kidron, Paul Mattick). In contrast to almost every interpretation of imperialism, they analyze the East-West conflict within the context of international imperialist relations (see Castoriadis 1988a; Cliff 1996; Kidron 1974; Mattick 1969). Normally, the East-West standoff after 1945 played a subordinate role in analyses of imperialism. Often, reference would be made to the Marxist-Leninist *theory of state monopoly capitalism*, which was exalted as an official theory of imperialism after 1945 and exerted political influence on the debates in the West. According to this theory, the struggle between the 'forces of progress and of reaction, between socialism and imperialism' has become the central world conflict since 1945 (ZK der SED 1971, p. 104). The class struggle has taken on the character of a conflict between systems and thus has internationalised, so to speak. This situation, along with the 'general crisis' and growing monopolisation, ensure that capitalism can only continue to function effectively if it expands its political dominance, that is, in the strengthening of the state. Both inter-imperialist contradictions and neocolonialism are thus derived from this thesis of competition between systems as the 'primary contradiction' of the epoch (p. 454; for variations of this thesis, see Boccara et al. 1973).

33. See Mandel 1975.

34. Mandel 1975, pp. 332–3.

35. Mandel 1975, p. 333.

Negri and Michael Hardt propose a theory that competition under capitalism and the world of states have transformed into a 'smooth space' of power, into an *empire*, which generates new forms of divisions.<sup>36</sup> The significance of integration and transnationalism emphasises the dominance of 'collective capital' and the establishment of a 'global society of control'. Theoretically, this position assumes increasingly post-industrial relations of production and a strong version of the globalisation hypotheses.<sup>37</sup> 'Post-modern' capitalism finds itself in transition to a new type of control that is breaking apart the old world divided by nation states. The form and function of statehood are fundamentally transformed in this new world order: the nation state forfeits its central role because it has lost control over the three essential domains of sovereignty – the military, politics and culture – all of which have been absorbed by the central powers of the empire. Negri and Hardt conceive of this decline of the state as a process that brings about the fusion of the state and capital.<sup>38</sup> They assume the existence of a new form of sovereignty that emerges from the global market: 'This new form of sovereignty is what we call Empire'.<sup>39</sup> In contrast to the earlier system of imperialism, this 'dispositive of power is supranational, global and total'.<sup>40</sup> Empire is not American, even if the United States holds a privileged position. It is 'plain capitalism. It is the order of "collective capital", that is, of the power the civil war of the twentieth century has won'.<sup>41</sup> Imperialism is no longer, and where it does continue to exist, it does so only in a transitional form. As opposed to the old imperialism centred on nation states, there no longer exists any political or economic 'exterior' for the borderless 'empire' with its global authority. Consequently, the phase of imperialist, inter-imperialist and anti-imperialist wars comes to an end as well. In its place emerges an era of internal conflicts – it is civil wars that signify the empire. For the proponents of the empire thesis, the 'old' politics of imperialism thus manifest themselves as an anachronism.<sup>42</sup>

Since the beginning of the 'War on Terror', a sort of renaissance of Marxist approaches for explaining the 'New Imperialism' has taken place. Here, the thesis of a renewed US

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36. Hardt and Negri 2001 pp. 327 et sq.

37. According to the categorisation of David Held and others, Negri and Hardt's approach belongs to the category of 'hyperglobalisers', which – in contrast to the 'sceptics' and the 'transformationalists' – refers to a worldwide integration of markets, a declining or even disbanding nation state, and the erosion of old hierarchies (see Held et al. 1999). For a critique of the strong version of the globalisation hypothesis, see Rosenberg 2000, 2005; and Smith 2006.

38. Hardt and Negri 2001, p. 248.

39. Hardt and Negri 2001, p. xii.

40. Negri 2001, p. 23.

41. Ibid.

42. Social scientists such as Martin Shaw defend this concept in a weaker form. Shaw establishes the emergence of a western block of states after 1945, which is currently transforming itself into a 'global Western state' (Shaw 2002). According to Shaw, historical development until 1945 continued to follow the lines laid out by Bukharin – namely, the development of amplified, even military competition between blocs of states (p. 104). The era after 1945 has unfolded differently – more along the lines that Kautsky anticipated for the period after the First World War.

super-imperialism has won a certain amount of support. For Leo Panitch, states – in particular the US state – are the originators of ‘globalisation’ and not in fact its victim. In all fairness to the daring proposition of describing the new post-imperialist world, the work of Hardt and Negri should be seen as an example of misjudging the significance of the state. Panitch emphasises the hegemonic role of the US state as a ‘prototypical global state’ that subordinates other states to it as the organiser of global capitalism.<sup>43</sup> After the Second World War, the United States was able to integrate other capitalist powers into a functioning network, in essence coupling the US state to the executive apparatuses of Europe and Japan.<sup>44</sup> Moreover, the successful re-establishment of the United States as the organiser of global capitalism allowed for an end to the crisis of the 1970s and the related tensions within the West.<sup>45</sup> The tensions and alliances within national ruling classes can no longer be understood in purely ‘national’ terms. Europe’s rulers were subverted to a certain extent, such that they no longer comprise a coherent social class. As opposed to the ‘economistic’ shorthand of classical Marxist theories of imperialism, there is a particular need for a new theory of imperialism. Panitch and Gindin suggest including insights from state theory and historicising theories of imperialism so as to break ‘with the conventional notion that the nature of modern imperialism was once and for all determined by the kinds of economic rivalries attending the stage of industrial concentration and financialisation associated with turn-of-the-century “monopoly capital”’.<sup>46</sup>

In contrast to Hardt and Negri, but also to Panitch, a series of authors warn of *new interimperialist conflicts*, which they associate in part with the relative decline of the US. In the following discussion, I introduce the Marxist David Harvey, the world-systems theorist Giovanni Arrighi and the neo-Weberian Michael Mann.

David Harvey develops the thesis that political forms of imperialism emerge from the interplay of ‘territorial’ and ‘capitalist’ logics of power.<sup>47</sup> He defines ‘that special brand...called “capitalist imperialism” as a contradictory fusion of “the politics of state and empire” (imperialism as a distinctively political project on the part of actors whose power is based in command of a territory and a capacity to mobilize its human resources toward political, economic, and military ends) and the “molecular process of capital accumulation in space and time” (imperialism as a diffuse political-economic process in space and time in which command over and use of capital takes primacy)’.<sup>48</sup> The period of post-war US hegemony in the West, during which the US engineered a tacit international compact in a ‘superimperialist’ manner, met its end with the crisis of over-production that began in the 1960s. The following period of imperialism, namely

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43. See Panitch 2002.

44. Panitch and Gindin 2004a, pp. 13–18.

45. Panitch and Gindin 2006.

46. Panitch and Gindin 2004a, p. 7.

47. See Harvey 2003; and Callinicos 2007.

48. Harvey 2003, p. 26.



'neoliberal hegemony' from 1970 to 2000, was shaped by: a shift in power within the ruling classes from productive capital to entities of financial capital; processes of internationalisation; and simultaneously even greater competition. At the centre of all this stood the 'Wall Street-Treasury-IMF complex'.<sup>49</sup> Once the ground rules of neoliberalism had been established, the danger of a 'relapse' of political competition between states was reduced. By the mid-1990s, a form of 'ultraimperialism' seemed to have developed.<sup>50</sup> Beneath the surface, however, new contradictions begin to unfold again. New industrial centres emerge in East Asia, which lead to 'subtle' tactics of counter-attacks against the hegemony of the US in the areas of finance, which can be seen in the growing balance of trade surpluses with Japan and China or in the trend towards regionalisation in the world economy.

Giovanni Arrighi, as a proponent of world-systems theory, suggests a shift in the centre of the world economy in even stronger terms. He does this by connecting the 'new' imperialism to long, 'systematic cycles of accumulation' and by forecasting the decline of the United States as the world hegemon.<sup>51</sup> Through its leadership, each respective hegemon imposed certain standards (for example, the gold standard, the Bretton Woods system) and thus created greater predictability than existed in periods without a hegemon. They were more successful than other states in establishing a framework for recognising and securing property rights and battling the internal contradictions of the system. Arrighi writes that periods of hegemony, which are characterised by an increase in production, are followed by periods of financial expansion, which is characteristic of the 'maturity' of a hegemonic cycle. Should a given model of production exhaust itself, should capital lack sufficiently productive opportunities for investment, then over-accumulation is temporarily resolved, which allows for new forms of financial investments to be created. The United States currently finds itself in the middle of this period of 'financialisation': 'it is a sign of autumn'.<sup>52</sup> In referring to the 'autumn' of the latest accumulation cycle, Arrighi arrives at the following reflections: the 'signal crisis' started around 1970, at which time the US finds itself in a hegemonic crisis. In this context, the conflicts between the old hegemon and a new aspirational power (China) play a central role. But the US's attempts to rule the world by means of 'dominance without hegemony' ultimately fail: first, the US is unable to recover from the 'Vietnam Syndrome'; second, the US loses its position of economic dominance; and third, the 'War on Terror' only accelerates the tendency towards a re-centring of the world economy in East Asia. The greatest failure of neoconservative imperialist politics lies in the inability to prevent China from rising as a new centre of the world economy. And yet, everyone fears the demise of the US economy, because that would tear the entire world economy apart.

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49. Harvey 2003, p. 73.

50. Harvey 2003, p. 68.

51. See Arrighi 1994.

52. Arrighi 2005b, p. 86.



Consequently, European and East Asian governments attempt to prevent the decline of the US economy. However, should a new centre emerge in East Asia, one that gains even more significance, then it will be of increasingly little importance to these governments if the US economy falls into crisis. In this case, China will turn out to be the 'big winner' of the war against terror.<sup>53</sup> On this basis, a period of 'systematic chaos' is predicted.<sup>54</sup>

Michael Mann has suggested yet a different version of this thesis of the relative decline of the US, one that he grounds in the framework of his historical sociological or neo-Weberian approach. Mann distinguishes between four primary sources of social power. The first are ideological networks of power, the second economic, the third military, and the fourth political. The interrelationships between and among these four primary sources of social power are his central unit of analysis. They form the overall context that integrates people into a relatively fixed order. Mann accepts in principle that each of these four sources of power is equivalent and, on that basis, posits a highly fragmented world. In his comparative analysis, he questions whether the implementation of a putatively global capitalism is alone responsible for driving the process of integration. Rather, at the economic level his argument runs more along 'trilateral' lines (Europe, North America, East Asia).<sup>55</sup> Additionally, global capitalism encompasses more factions and differences of a political nature that are generally overlooked in arguments about the dissolution of the nation state. Mann writes about a 'new imperialism' of the Bush administration, which developed slowly after the end of the Cold War and is connected to the emergence of international political competitors such as China. The American Empire has over-extended itself, however. It will turn out to be 'a military giant, a back-seat economic driver, a political schizophrenic, and an ideological phantom. The result is a disturbed, misshapen monster stumbling clumsily across the world. It means well. It intends to spread order and benevolence, but instead creates more disorder and violence'.<sup>56</sup> The US only continues to have limited influence on the economies of Western states, or on China's or India's. Even in countries of the Global South, the US is unable completely to steer economic processes. The US has forfeited its position as an industrial powerhouse – only in the financial sector does it continue to dominate. The 'schizophrenia' of US foreign policy is made clear by the oscillation between multilateral integration and unilateral solo efforts: 'Faced with a world of nation states, the US does not have imperial political powers'.<sup>57</sup> Finally, using the keyword 'ideological phantom', Mann conceives of politics without ideological backing – the ideals of democracy and freedom, spread across the world as they are, contradict the new imperialism, which acts in strictly hierarchical, classificatory, and censoring terms.<sup>58</sup>

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53. Arrighi 2005b, p. 33.

54. Arrighi and Silver 1999, p. 275.

55. Mann 1997, p. 480.

56. Mann 2003, p. 13.

57. Mann 2003, p. 97.

58. Mann 2003, p. 100.



## Chapter Two

# Power Politics and (Neo-)Realism within the Field of International Relations

After 1919, analysis of international relations developed into an independent, scientific discipline within the academy.<sup>1</sup> In the first decades of its development, two tendencies shaped the main theories of international relations: so-called 'idealism' and 'realism'. Idealism represents a theory based on assumptions of progress, according to which the deficiencies in the international system can be eradicated by consciously addressing their causes. In economic terms, this approach to international relations supports a liberal, free-market model. The assumption is that a world economy based on a division of labour and free trade can form the basis for an enduring system of peace.<sup>2</sup>

Idealism considers individual 'societies' to be central actors represented in the international system by states. The fundamental norms and values within societies influence statehood – thereby making it possible to overcome anarchic structures.<sup>3</sup> For realism, by contrast, the central

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1. See Czempel 1965.

2. See Angell 1910.

3. In this study, I do not go into further detail about idealism, liberal traditions or analyses of integration and interdependence. Liberal and neo-institutionalist approaches typically assume that institutionalised or codified inter- and supra-national relations make possible the cooperative regulation of the world's problems. The notion of international institutionalisation is supplemented by the proposition that new and reciprocal 'complex interdependencies' place important constraints on the ability of states to act (Keohane and Nye 1989). The various strands of this neo-institutionalist approach (for example, régime theory) serve as a corrective to the neorealist school within IR. To be sure, including the 'economic plane' in the analysis and an historical perspective do seem to represent a broadening of the field. However, neo-institutionalism gets caught up in its own contradictions, because it derives political cooperation too directly from economic interdependence. While Marxist considerations often prematurely derive the need to use military violence from their analysis of the tendency to economic crisis, for neo-institutionalists economic

focus of analysis is on the state, its rational actions, and its monopoly over violence. International politics or ‘foreign policy’ must be differentiated fundamentally from ‘domestic policy’, because the former is embedded in *anarchic* and not *hierarchical* structures. There exists no central authority over the central actors at the international level, as there is within a given state. By contrast, each state must ensure its own security on its own. On the basis of this anarchic, international structure, states are forced to pursue power politics, thereby flouting basic intra-societal norms and values as well.<sup>4</sup> In the tradition of a Machiavelli or a Hobbes, but also of a thinker such as Nietzsche who rejects beliefs in progress, realists highlight the cold reality of international relations. They accuse idealists, or ‘utopians’, of spreading illusions about reality. According to them, science cannot be based on noble intentions alone, instead we must learn to differentiate between what is and what should be.<sup>5</sup>

Hans J. Morgenthau would become one of the most important proponents of classical realism. ‘International politics, like all politics, is a struggle for power. Whatever the ultimate aims of international politics, power is always the immediate aim’.<sup>6</sup> Power interests should be distinguished from economic interests. ‘What the precapitalist imperialist, the capitalist imperialist, and the “imperialistic” capitalist want is power, not economic gain ... Thus, historic evidence points to the primacy of politics over economics’.<sup>7</sup> Morgenthau describes realism as oriented on ‘the concept of interest defined in terms of power’,<sup>8</sup> because politics is dominated by objective laws, whose origins are to be found in human nature. The ‘struggle for power is universal in time and space and is an undeniable fact of experience’ – ultimately, it is ‘elemental bio-psychological drives’ that are responsible for this –, even if the motive for power among statesmen is often distorted beyond all recognition by their emotions.<sup>9</sup>

After 1945, in addition to the analysis of the East-West conflict, economic internationalisation was the main starting point for theoretical considerations within IR. In contrast to the assumption of a *systemic* antagonism between capitalism and communism, realism – as the dominant tendency within IR – developed a theory of the similarity of the main agents of the Cold War. John H. Herz played an important role in further developing classical realism into neorealism. He located the competition for power within the framework of a societal problem, namely the security dilemma: ‘the dilemma stems from a fundamental social constellation, one where a plurality of otherwise interconnected

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interdependencies lead – to a certain extent as a mirror opposite from the Marxist approach – to political harmony.

4. See Carr 1946.

5. Carr 1946, p. 8.

6. Morgenthau 1967, p. 25.

7. Morgenthau 1967, p. 48.

8. Morgenthau 1967, p. 5.

9. Morgenthau 1967, p. 31.

groups constitute ultimate units of political life, that is, where groups live alongside each other without being organized into a higher unity. Wherever such anarchic society has existed ... there has arisen what may be called the "security dilemma" for men, or groups, or their leaders. Groups or individuals living in such a constellation must be, and usually are, concerned about their security from being attacked, subjected, dominated, or annihilated by other groups and individuals. Striving to attain security from such attack, they are driven to acquire more and more power in order to escape the impact of the power of others. This, in turn, renders the others more insecure and compels them to prepare for the worst'.<sup>10</sup> Moreover, the security dilemma prevents cooperation between states. Herz argues: 'Stalinism adapted the international ideology of Bolshevism to the "realist" fact that the one country in which the revolution had succeeded was forced to live in the same world with its non- or counter-revolutionary neighbors. Realistic appraisal of power phenomena led the régime to abandon its world-revolutionary ideology, except for propaganda purposes. As a unit in international affairs the Soviet Union now acts with at least the same degree of insistence on self-preservation, "sovereignty", security, and power considerations as do other countries'.<sup>11</sup>

In the 1970s, Kenneth Waltz became the most important proponent of neorealism.<sup>12</sup> He discussed imperialist power politics as a universal result of interstate conflict and shifts the focus of analysis, in contrast to Morgenthau's 'foreign policy theory', to the level of the 'international system', from whose structures he extrapolates state behaviours.<sup>13</sup> Waltz views the structure of the international system as independent from its actors and specific states. The structure wields an autonomous, functional influence and causes heterogeneous actors to behave in similar ways with respect to foreign policy. Three features characterise the structure of the international system: first, the international level is dominated by the anarchic principle – in contrast to the hierarchical principle within a given state. Second, there exists no 'functional differentiation' between actors – because of actors' insecurity in an anarchic context, it is impossible to develop a division of labour between states similar to the type that exists within a given society. 'The international imperative is: "take care of yourself"'.<sup>14</sup> In this way, political considerations outweigh economic ones. Third, there exists a specific division of power between various actors. Waltz zeroes in on a relative distribution of power and discusses unipolar, bipolar or multipolar power relations. A climate allowing for the use of violence is inherent to all of them, although to varying degrees of intensity.<sup>15</sup> In contrast to multipolar and unipolar orders, a bipolar power relation is the least likely to lead to wars, because this type

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10. Herz 1950, p. 154.

11. Herz 1950, p. 171.

12. See Waltz 1979.

13. Waltz 1979, pp. 27, 29 et sq.

14. Waltz 1979, p. 107.

15. Waltz 1979, pp. 98 et sq.

of order is relatively clear.<sup>16</sup> In multipolar constellations, however, states form shifting alliances that as a rule remain unstable. In a bipolar world of superpowers, the US and USSR rely on their own resources – which, for Waltz, qualifies as comparatively stable, strategic behaviour. Pronouncing the end of US hegemony over the West thus implies an increase in international conflicts.

Adaptations of neorealism after 1989 can only be taken up briefly here.<sup>17</sup> Among these, John J. Mearsheimer's 'offensive' realism stands out for its expectation of considerable conflicts between the major powers, including the potential for war. He grounds this scenario theoretically by rejecting the old realist position that defines the logic of the international system as tending towards equilibrium. Instead, he sees the constant search for superiority as the only guarantee for the state to survive.<sup>18</sup> In contrast to Waltz's 'defensive' realism, according to which states maintain their position in a state system in a quasi defensive manner, Mearsheimer underscores aspects of state behaviours that can be characterised as both 'balancing' but also 'aggressive', and thus constitute efforts to expand their power.<sup>19</sup> States achieve 'security' only to the extent that they realise that they are the most likely to survive by being the most powerful state. It is this security dilemma that is behind the persistent strive for dominance, for a 'grand strategy'.

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16. Waltz 1979, p. 168.

17. See Layne 2006.

18. Mearsheimer 2003, p. 21.

19. Mearsheimer 2003, p. 166; compare Layne 2006, pp. 16 et sq., 136–7.

## Chapter Three

### Deficits and Desiderata for Future Research

The theories I introduce here raise considerable doubts regarding the normative and idealising stances implied by harmonisation, modernisation and civilisation. After the end of the Cold War (as well as for a short time just after 1945), a certain euphoria of peace fuelled these beliefs: ‘one spoke in those days of a “competition for peace”, that would be enhanced further still by a competition for democracy. An epoch based on confrontation and polarization seemed to be overcome... Kant’s “everlasting peace” and Norbert Elias’ “civilizing process” experienced a considerable citation conjuncture’.<sup>1</sup> In contrast to the assumptions of world pacification, the theories I present here instead suggest the enduring evolution of international dependencies and tensions, and thus the conflicted character of the world order.

As I highlight in the following section, the insights and *descriptions* I discuss do not yet necessarily represent a sufficiently elaborated *explanation* for the development of the state system. Throughout the history of the debates around geopolitics, it is indeed possible to identify distinctions and advances internal to the various theories that I subject to critique here.<sup>2</sup> Nevertheless, we can also identify a series of deficiencies in them. In the following discussion, I introduce some of these shortcomings in (neo-)realist and critical approaches in schematic form in order to discuss thereafter some challenges to theorising global rivalries.

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1. Brock 1993, p. 164.

2. See ten Brink 2008.

## 1. Neorealism and power politics

(Neo-)realism envisions a world torn apart and dictated by states' interests in their own preservation and security. To a certain extent, this school of thought does help to demystify social theories of harmonisation. Its insistence on the conflicted character of the state system, the national interest, and so on, suggests an essential element of capitalist modernity, namely the paramount significance of state power and foreign interventions. When it comes to justifying its propositions, however, neorealism oversimplifies reality. It overlooks essential social processes of development, as many critics of realism have already highlighted.<sup>3</sup>

Consequently, (neo-)realist approaches are based on insufficiently complex theoretical premises. They often only focus on one variable, namely the distribution of power within the international state system, to explain the behaviour of states and hegemons. A state that ignores power politics runs the risk of being victimised by the power politics of other states. This leads in general to assumptions that state activity is limited to the acquisition of power. Of course, we cannot overlook important intellectual developments within realist theory. For example, Waltz or Mearsheimer do take on the tendency within 'classical' realism to biologise the various types of state behaviour and to explain that behaviour as a function of human psychology. Instead, they replace that approach with an analysis of structural social conditions (the structure of the international system, the security dilemma). Yet, even under these auspices, human behaviour is once again reduced to nothing more than egoism and aggression, without any further explanation. In other words, despite the theoretical developments within the realist school, state activity remains dehistoricised. Morality is only effective if it can be enforced by physical power.

According to Rosenberg, because the (neo-)realist perspective is so centred on the state, it tends to downplay socio-economic processes and the role of social actors outside the state apparatus.<sup>4</sup> This perspective merely looks *at* states, not *into* their inner workings. However, the character of the international system cannot only be understood as the emergence of a multitude of political units in competition with one another. The question of how intra-societal factors and power relations have an impact on state action is largely left out of this analysis. The role of ideological or symbolic dimensions in motivating political action is thoroughly underestimated. In this way, the obsolete but widely accepted theoretical cleavage between domestic and foreign policy is reinforced.

The realist assumption about universal, constant conflict within the world state system suggests another shortcoming, namely that discussion of state action risks being disconnected from changing historical contexts. Ignoring historical differences results in oversimplification, as is the case with the widely known but undifferentiated com-

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3. See Rosenberg 1994.

4. Rosenberg 1994, pp. 123–58.



parison of the fall of the Roman Empire and the fear of US decline. The history of the international system is one that qualitatively transforms itself time and again. Thus, it is important to understand power and power-politics as categories that are based on their own specific configurations of social relations – ancient Rome as something different from late feudalism and from contemporary capitalism as well. The overlap between political and economic power in many precapitalist societies needs to be differentiated, for example, from the distinct role that politics plays with respect to economics in a capitalist society. These configurations convey specific forms of statehood and geopolitics, as well as distinct varieties of the international state system.<sup>5</sup>

As a classic problem-solving theory<sup>6</sup> and as the most influential school within IR internationally, (neo-)realism can be understood as a particular strand of thought that makes the claims of peace through trade (in connection to liberalism) or peace through democratisation (in connection to Kant) seem downright naïve. But, ultimately, this approach is only able to describe the various ways in which state competition occurs. (Neo-)realism can be described as the intellectual expression of state management of foreign policy, a claim supported by the considerable influence (neo-)realism enjoys among political intellectuals in the US and other states. The realist approach attempts to justify '*Realpolitik*' varieties of state agency time and again by calling attention to the security dilemma faced by the state. Corresponding to this approach within scholarly work is a purely pragmatic stance: Waltz, for example, argues that a given theory should not be judged on the basis of how valid its premises are, but rather by how useful its hypotheses are and the prognoses that flow from them.<sup>7</sup>

## 2. Critical approaches

Classical theories of imperialism from left-liberal and Marxist perspectives, as well as new readings and developments of them adopt a socio-critical approach to research that counters realist power theory. In contrast to those authors who argue along universal or biological lines, critical theories attempt to consider specific socio-economic conditions in their analysis. This does not make them immune, however, to problematic over-generalisations. Indeed, their description of global rivalries may correspond more or less

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5. Mearsheimer's assumption that each state orients itself on maximising power in order to achieve its primary goal, namely territorial integrity and political sovereignty, is not further specified. Thus, considerable differences emerge: in late-feudal, absolutist wars, the vanquished often lost territory through the process of military defeat and was colonised; in the geopolitical conflicts and wars of capitalism, however, this is not generally the case.

6. See Cox 1981. Robert Cox differentiates between two trends: on the one hand, the so-called 'problem-solving theories', which accept the world as it is as the given framework for action, offer political counsel to improve the functioning of established social relationships function, and effectively remove individual causes of friction; and on the other, the 'critical' theories.

7. Waltz 1979, p. 8; for a critique of this position see Zürn 1994.

to reality, but in many cases their interpretations of these phenomena are not always theoretically coherent.

In this section, I elaborate some of these ambivalences schematically:

- The emphasis on capital export and the related (colonial-)imperialist aspirations can be criticised as an overvaluation of the role of trade with the colonies. At the same time, this idea underestimates that domestic markets can experience an expansion in bulk purchasing power (that is, as a result of product innovation).<sup>8</sup> In fact, it is not possible to prove a direct correlation between imperial expansion and an increase of capital export. Only a minority of individual capitals have profited from colonial trade. Only a portion of investments was made in the newly acquired colonial regions. Instead, it is important to establish that a large swathe of political élites *hoped* that the creation of colonial possessions would contribute enormously to expanding their own power and the market power of companies operating from their territories – although these hopes were not always fulfilled.<sup>9</sup> Krippendorf uses this issue (that is, that assumptions about colonies being profitable are proven wrong only after the fact) to argue that this is precisely how an anarchic, irrational system functions: ‘It was the – if you will, irrational – expectation . . . that colonial possessions were the same thing as economic security and stable growth that led to imperialist policies’.<sup>10</sup>
- The explanation of an historical shift from an era of ‘competitive capitalism’ to one of ‘monopoly capitalism’ – which has since become the conventional basis for juxtaposing ‘classical’ capitalism with ‘imperialist’ capitalism – cannot sufficiently explain the fundamental dynamics of social formation around 1914.<sup>11</sup> Too often, the term ‘monopoly’ is not defined in precise enough terms. As a rule, monopolies, or more specifically, oligopolies hold a dominant position within *one* branch of the economy, but not in all of them. Capitalist development puts an existing oligopoly at risk of losing its position. As several articles from the 1970s correctly argued, the statement that ‘a monopoly both displaces and contradicts “free competition” . . . , [is] at the very least ambiguous’.<sup>12</sup> From this perspective, whether or not competition will be suspended is wrongly seen as being dependent on the will of individual monopoly capitalists. Even more sharply than in some Marxist approaches, dependency theories portray (inter-

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8. Brewer 1990, pp. 73–87.

9. Ziebur 1972, p. 126.

10. Krippendorf 1976, p. 75.

11. This has to do with political and social developments from the 1920s on that effectively prevented the elaboration and clarification of Marxist approaches. Within the context of Stalinist dogmatising of Marxism, Lenin’s analysis of imperialism increasingly was elevated from being a concrete political pamphlet used to make an intervention into a specific debate to representing the heights of an epoch-defining theoretical work (Kemp 1967, pp. 107 et sq.). Nevertheless, many authors before and after 1945 have attempted to develop Marxist approaches beyond this Stalinist dogmatism (see ten Brink 2008, pp. 93–129, 196–241).

12. Wirth 1973, p. 24.

national) capitalist socialisation more as a régime steered by powerful actors than as an unregulatable, dynamic process with no leading subject.

- Marxist theories of imperialism often described the economic tendencies towards crisis too one-sidedly. Lenin, and after him a number of authors, proposed somewhat differentiated variations on the same theme of disproportionality: economic crises are explained as essentially the result of anarchy, or better, the unplanned character of the market. Luxemburg also developed a one-sided theory of the 'realisation problem'.<sup>13</sup> More recent analyses define the causes of crisis primarily in terms of the relations of class conflict and the unequal distribution of wealth that results from it, rather than also in terms of the internal contradictions within the sphere of production itself or the anarchic character of the sphere of circulation.
- How the various forms of capital are classified, particularly the continued influence of the category of 'finance capital', represents an additional theoretical ambiguity.<sup>14</sup> This creates an image of finance capital as pursuing interests different from those of industrial capital. From this perspective, various forms of capital (finance, industrial, trade) appear to be separate from and contrasted with each other.<sup>15</sup> More than a few authors have drawn the incorrect conclusion that 'finance capital' transforms itself into a driving force of geopolitics, and that 'industrial capital', by contrast, orients its production principally around demand within respective domestic markets. And yet, the theory that finance capital holds a key position in geopolitics simply does not apply to any moment before 1945. In the case of Germany, it was heavy industry in particular that pushed for expansion beyond national border by establishing colonies and spheres of influence.
- A final problem with Marxist argumentation that I will take up here is its instrumentalist approach to state theory. Politics are explained as a derivative phenomenon of the 'superstructure' that functions in unmediated ways in line with the interests of the 'financial oligarchy', and thus becomes an instrument of 'monopoly capital'.<sup>16</sup> The formula this predicts, that monopoly = stagnation = a turn outward and/or capital export = imperialist politics, does not hold.<sup>17</sup> In addition, the question as to why 'many' states in the world system continue to co-exist remains largely disregarded.

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13. See Brewer 1990, pp. 62–72.

14. See Hilferding and Bottomore 1981.

15. Indeed, in his analyses, Hobson is aided in certain parts by his anti-Semitic prejudices (Brewer 1990, p. 83).

16. See Boccarda et al. 1973, p. 21; Katzenstein 1973, p. 15; Sweezy 1970, pp. 73 et sq.

17. Kautsky's speculation that the internationalisation of trade and production brings about cooperation between states rests on an economic fallacy. According to him, as Ernst Bloch writes, for the 'first time, capitalism is a purely economic entity, even if it is built into a traditional coercive state [*Zwangsstaat*]. The *Zwangsstaat* alone, that is, isolated, in its half-vanquished feudal form and in its militarism, must be opposed, but not industrial capitalism; because the latter is innately state-free, without force' (Bloch 1971, pp. 65–6).

### 3. Preliminary summary

We can identify a number of insights made in these three periods of theorising imperialism and the modern state system. In the past few years, some of the approaches addressed above have contributed to a renewal of debate within the social sciences about imperial violence or the threat of violence within and between capitalist societies.<sup>18</sup>

However, some of the arguments meant to explain the topic are nevertheless problematic, as I have shown with some examples from neorealism and from some left-liberal and Marxist approaches, as well. With few exceptions, analysis of the complex interrelationships between individual states and economic actors continues to be overlooked. Thus, there is still a need to analyse the relations of competition and cooperation within the international system of states and to analyse international economic actors within capitalism in ways that overcome the oversimplifications of neorealism and other approaches.

In terms of theoretical differentiation, too many approaches to analysing geopolitical phenomena treat the problems they examine with insufficient nuance or complexity. This leads to imprecise conceptualisations of the central categories with which they operate (such as imperialism, capitalism, the state, competition). On the other hand, in the approaches referenced above, certain historical trends are regularly overemphasised, as seen in the examples of ‘monopolisation’ and the related claim that there exists a single ‘capitalism’ that can be managed. By contrast, other theories tend to derive from their analysis certain ‘eternal’ logics of capitalism or of the ‘world of states’ and therefore underestimate the potential of historical transformation. This applies not only to neorealism, but also to ambitious Marxist contributions: thus, the danger of only ever describing the objective ‘self-regulation’ of capitalism was pointed out to state and world market theorists of the 1970s – that is, the danger of remaining ‘spellbound by derivation choreographies’.<sup>19</sup>

The following sections of the book have as their goal to define ‘capitalism’ in general, and to determine whether the international system of states should be seen as a

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18. Chibber 2004.

19. Von Braunmühl 1976, p. 326; compare ten Brink and Nachtwey 2008. Many interpretations of imperialism place a premium on the structural constraints that the ‘laws’ of capital accumulation place on the behaviour of (at least ruling) social actors. Hannah Arendt and, later, Robert W. Cox subject this position to critique from various action-theoretical perspectives so as to sketch out imperialist phenomena. In contrast to Schumpeter, Arendt proposes a theory that the bourgeoisie only reaches maturity through imperialism (Arendt 1973). According to her, the transformation of imperialism into totalitarianism is to be understood as a result of the political activity of popular nationalists and conservative élites, that is, of the alliance ‘between mob and capital’ (Arendt 1973, pp. 147 et sq.). Without broad enthusiasm among the masses for an expansive world politics, ruling élites are incapable of winning over governments to imperialist policies. The neo-Gramscian work of Robert W. Cox has also been quite generative (Cox 1987). His focus is on social conflicts as opposed to the narrow understanding of power fixated on the state so predominant within neorealism and neo-institutionalism.

fundamental element of the capitalist world system such that we can question its role in the emergence of international rivalries and of geopolitical strategies. In addition, the discussion seeks to historicise capitalist geopolitics. My goals are twofold: not to get stuck in abstract theoretical structures; and to approximate the behaviour of historical actors within the very institutionalised constraints they have created. To help reach those goals, I have structured my argument in the following ways. First, I examine the relationship among the constitutive features of the capitalist world system (for example, wage labour, competition, finance relations, and multi-statehood in the context of the global economy) at various historical phases of capitalist development. Next, if also less thoroughly, I analyse specific historical constellations, including such phenomena as nationalist movements, but also specific social power relations and normative factors. This analysis helps to establish the concrete forms that capitalist structures take in the specific phases I examine. Indeed, each of these three levels of analysis (constitutive structural features of capitalism, the specific historical phases, and the specific historical constellations) can only be analysed in relation to one another.

Finally, in order to move beyond the narrow political-science perspectives within international relations, which is 'the' place to be in the academy right now for discussions about conflict in the world system, I integrate approaches from other disciplines (for example, sociology, geography, as well as history and economics).



## Part Two

# A Global Political Economy Framework for Explaining Geopolitics





## Chapter Four

# Foundations for Analysing Capitalism

Any analysis of global rivalries should base itself on a theory of capitalist development. Thus, the following section aims to sketch an analysis of capitalism – that is, not yet an analysis of capitalist *society*. Further, I will describe some fundamental features of capitalism that not only define the system's dynamism but also its tendency towards instability. To begin, I introduce these features at an abstract level, integrating historical data only so as to illustrate key points.

Later, I turn to a discussion of capitalism as an international, inter-societal system in space and time, wherein I address historical arguments specific to a given era in addition to general, theoretical considerations. Finally, I develop a number of positions and use them to examine specific historical phases and constellations. Together, these dimensions constitute a *Global Political Economy* (GPE) framework.

### 1. Analyses of the capitalist mode of production

Time and again when trying to define capitalism, the analysis has focussed on a single structural characteristic, thus rendering other features as secondary. We might categorise these efforts in the following way:

- Some theorists of *industrial society* or *industrialism* declare the decisive feature of capitalism to be the continuously developing forms of production triggered by the use of modern technology and scientific, rational methods.<sup>1</sup>

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1. This position is often ascribed to Max Weber. This association does not entirely hold, as he also emphasised the importance of other structural features of capitalism (see Weber 2001, pp. xxviii–liii, 13–38).

- According to a second approach, *free competition* or *free exchange* between private concerns is the central hallmark of capitalism. From this perspective, capitalism is identical to a *laissez-faire* economic order.
- A third position puts *private ownership* at the heart of capitalism. A capitalist system without private property is inconceivable from this perspective.
- Finally, there is the position that a specific *group of capitalists* is both the most important precondition for capitalism, and its most salient feature.<sup>2</sup>

Ultimately, however, it is not possible to explain capitalism sufficiently if we only emphasise one of these features over and against the others. To wit:

- The theory that development of technology is the primary characteristic of capitalism is problematic insofar as such development is more likely the *result* than the *cause* of the new social relations (within capitalist society).<sup>3</sup>
- Likewise, the emphasis of free market competition alone is unconvincing. The role that market coordination plays can only be assessed when we factor the fundamental relations of production and property into the analysis. Moreover, the state has played, and continues to play, a far more significant role in capitalist systems than theories of free market competition have foreseen.
- Private property was also a feature of precapitalist societies: it existed in medieval Europe, as well as in ancient Rome and Greece. Within capitalism itself, this explanation is equally problematic when one considers the meaning of ‘nationalised’ property. Too close a connection between capitalism and private property can easily lead to the assumption that significant sectors of the modern economy exist or have existed ‘outside’ the capitalist system. In order to grasp the meaning of private property more appropriately, we need a conceptualisation grounded in the broad nexus of extant legal relations, state institutions, and the processes of production, distribution and exchange.<sup>4</sup>
- Likewise, social groups with a capitalist ethical disposition do not alone constitute a sufficient condition for the emergence and continuation of capitalism. At issue is not necessarily whether capitalists exist in a given society or not. Rather, the question is whether or not their activities occur under specific conditions that generate the sort of economic development that is unique to industrial capitalism and that allows precisely this sort of development to become the dominant form of sociali-

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2. Related to this is the assumption that the formation of a capitalist social layer or class is a prerequisite for the emergence of capitalism as a system (see Sombart 1913, pp. 441 et sq.; and Sombart 1921, p. 25). Therefore, there must exist some sort of capitalist spirit or ethic, even if only in embryonic form, before a capitalist undertaking can emerge (see Weber 2003, pp. 353 et sq.).

3. Adorno 1996a.

4. Marx 1976b, p. 197.

sation. Capitalists can exist (and can play a significant role in society) without the emergence of a capitalist system.<sup>5</sup>

In addition, many scholars with Marxist orientations on analysing capitalism – in particular those authors who influenced historical debates about imperialism – developed a one-sided description of capitalism:

- Proponents of dependency and world-system theory or authors such as Paul Sweezy have interpreted the emergence and development of capitalism primarily as the result of the *growth of trade* and general *monetary* and *market relationships*.<sup>6</sup>
- In contrast to this theory, there is the approach that places *wage labour*, and with it a specific *form of economic exploitation*, at the centre of any definition of capitalism.<sup>7</sup>

Neither of these two approaches offers a satisfying definition. By overemphasising market relations, Sweezy and Wallerstein lose perspective on changes in the relations of production and inner-societal conflicts.<sup>8</sup> Likewise, it is insufficient to view the conditions of exploitation as the basis for understanding an entire mode of production. What happens within one corporation has to do with developments outside of it, such as competition among capitals or state interventions. Thus, it cannot only be the relations ‘between classes’ that characterise capitalism, but rather the relations ‘within classes’ as well.

‘One-point’ definitions of capitalism are thus unacceptable. Instead, we need a more complex conceptualisation. In the following paragraphs, I attempt to describe capitalism in a broad sense.<sup>9</sup> However, the term ‘capitalist society’ needs to be distinguished from ‘capitalism’, as the latter encompasses further socio-cultural institutions and dimensions as well (domestic labour, the family, cultural phenomena, etc.).<sup>10</sup>

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5. As can be seen from an historical perspective, there existed groups of precapitalist ‘capitalists’, for example, in the medieval Arab and European world, as well as in the China of the Song and Yuan dynasties (Arrighi et al. 2003, p. 275). However, certain limitations were placed on the trade and business capitalists [*Kaufmannskapitalisten*] of earlier eras. Their ‘investments’ were still primarily in trade, not in production – a form of production still shaped by pre-capitalist relations.

6. See Sweezy 1976, pp. 68 et sq.; Wallerstein 1974.

7. See Dobb 1947; 1976, pp. 8 et sq.; Laclau 1971.

8. See Gerstenberger 2006, p. 504.

9. See also ten Brink 2006.

10. These institutions, which are sometimes referred to as ‘non-economic’, cannot be understood as ‘displaced’ from capitalist logic, since capitalism shapes and transforms them to a certain extent. This relationship can be expressed with the term *capitalist society*.

### 1.1 *Commodity production: Mutual dependence and competition*

Marx begins the first volume of his primary work *Capital: A Critique of Political Economy* with an analysis of commodities.<sup>11</sup> As an 'economist', he examines not only the quantitative relations between commodity values and how they are determined, but also, as a 'sociologist', which type of social relations and which form of social 'regulation' constitute commodity exchange.

According to Marx, the circumstances and functional requirements of the capitalist economy are based on two general social preconditions. On the one hand is a developed and social division of labour; on the other is how the specific forms of labour are shaped. That is, specific social relations are not produced by an immediate, but rather an indirect form of 'independent private producers' who enter into exchange relationships with one another. Commodity production under capitalism requires an historically specific division of labour – a variety of production units that are able to decide on their production activities independent from one another. Two distinct, but nevertheless interrelated features thus shape the social division of labour. First, all producers need the products of other producers in order to be able to reproduce themselves. Thus – and in historical terms, with increasing intensity – capitalism is the most advanced system of social interdependence in human history. Second, each individual commodity is generated by 'many' producers, each of whom is compelled to sell his or her commodity in order to ensure his or her own reproduction.

Commodity production is based on a specific system of socially coordinated action. There is no superordinate process of direct social control (and typically there do not exist specific agreements between producers). In the main, social regulation is not a function of direct social interaction, but rather is the product of commodity exchange.<sup>12</sup> In other words, capitalism is shaped as much by mutual *dependencies* as it is by *competition*. Social cooperation turns out to be an antagonistic relation.

Emile Durkheim emphasises this aspect of mutual dependency as well. Through the division of labour and the specialisation of human abilities that results, individuals rely on and complement one another. The division of labour thus 'becomes the predominant source of social solidarity, at the same time it becomes the foundation of the moral order'.<sup>13</sup> By contrast, Durkheim underestimates the competitive character of social cooperation. In the discipline of international relations, liberal and neo-institutionalist approaches take Durkheim's one-sided understanding of interdependence for granted.

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11. See Marx 1996.

12. For a systematic representation of Marxist theories of value and capital, as well as of their ambivalences, see Heinrich 2003a.

13. Durkheim 1997, p. 333.

## 1.2 *Commodity, money, capital: Exploitation and accumulation brought on by competition*

An emphasis on competitive market mechanisms is necessary, although alone insufficient, for a complete understanding of capitalism. Commodity production provides only the *possibility* of capital formation and ultimately of the emergence of capitalist means of production. Instead, the development of modern 'capital' presupposes that commodity production has generalised to incorporate the collective social processes of production, circulation and exchange.

Marx develops the category 'capital' by elaborating on an analysis of commodities and commodity production and exchange. Here, he defines the accumulation of money as a specific goal for exchange. If money is both the starting and end points in the exchange process, then the aim of exchange is purely quantitative, that is, to increase the original amount of money in one's possession. Thus, capital can be described in a first step as a sum of money that is meant to grow through circulation.

One distinguishing feature of capitalism is that it has led to a staggering increase in productivity over time. In order for individual capitals to survive, then, it is necessary to orient themselves on 'socially necessary' standards of productivity. Thus, capitalist production is characterised by a constant drive to invest in new, more generative means and methods of production.<sup>14</sup> Marx refers to a sphere 'beyond' the market in order to make sense of the permanent, albeit contradictory growth in the productive forces that characterise capitalism. He does so within the framework of an ideal-form commodity exchange, in which all business partners are endowed with equal rights in the exchange of commodities. Marx explains that the growth in value ('surplus value') already takes place before a commodity is exchanged on the market. That is, there exists a special commodity that possesses a special use value insofar as it increases the value of commodities. That commodity is *human labour power*. Humans' productive capacity and the exploitation of it are the key to explaining how value increases under capitalism.

In social terms, capital can now be defined as a societal relationship between the primary agents of capitalism, the owners of the means of production and waged workers. The socio-economic content of this societal relationship is the production of surplus labour on the one hand, and the appropriation of surplus value on the other (although this surplus value can only be realised as 'profit' within the sphere of circulation).

With this relationship clarified, it is now possible to characterise more precisely how capitalist economies are manifested. The primary actors are capitalist enterprises whose aim is the production of commodities for the market, and the direct producers, who work for a wage under the control of capitalists who combine the former's labour power

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14. This is an essential differentiating characteristic between the economic ruling class in capitalism and earlier ruling classes, whose 'unproductive' consumption of luxury goods accounted for a much larger proportion of surplus. The typical capitalist thus must orient him- or herself on the norms of the 'Protestant ethic'.

with tools, machinery, raw materials, etc. Further, we can identify the fundamental class division under capitalism as that between those who sell their labour power and work for others, and those who buy labour power and hire others to work for them. These two classes stand in contradiction to each other: their respective interests lay the groundwork for capitalist class conflict.

In my discussion thus far, I have distilled the following points: the capitalist mode of production – depicted here still at a high degree of abstraction – embodies social relations of *formal equality* (free and equal participants on the market) with *material inequality* (created by economic exploitation as a defining element of capital). Such relations thus require a social *hierarchy* (between individuals and classes alike). Neither wage labour nor production for the market alone can form the basis for a suitable definition of capitalism. It is only by linking *exploitation* and *competition* that we are able to see the essential characteristics of capitalism's idiosyncratic structure: namely, the economic exploitation of formally free and equal individuals by formally free and equal individuals, all of whom are in competition with one another. Even if free wage labour (that is, labour made free by the violent separation of producers from the means of production) was a central *historical* requirement for capitalism to emerge, the system is not only characterised by exploitation, but by competition as well. 'Horizontal' class conflicts thus overlay 'vertical' divisions of competitive relationships, and vice versa.

## 2. Structural features of capitalism

In the following discussion, I outline relevant structural features of capitalism 'in [their] ideal average',<sup>15</sup> that is, in stylised form. Further, I explore capitalism in space and time, that is, the way in which paradoxical dynamics drive the permanent, crisis-prone transformation of the 'face' of capitalism.

First, I address the fundamental 'social forms' that the capitalist mode of production generates. These can serve as a theoretical framework with which to understand the external pressures that 'generalised commodity production' imposes on social actors, that is, social practices that are not primarily the result of intentional agency. I follow this discussion with an outline of four structural features of capitalism.

### 2.1 *Critical social forms*

In capitalism, individual socialisation develops in a specific way: under capitalist conditions, the options and constraints placed on individual agency largely determine one's social position within the structure of society. For the mass of wagedworkers, these options manifest as the compulsion to sell their own labour power; for capitalists,

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15. Marx 1998, p. 818.

the choices available to them are conditioned by the permanent compulsion to reinvest capital. Social production is not consciously planned, but rather is carried out by individual producers independent from each other who are brought into contact through the market. The social context in which individuals exist is not 'created directly or consciously by themselves', but rather 'through processes that take place out of their sight, namely through the division of labour, private production and commodity exchange. Their own social status [*Gesellschaftigkeit*] appears to them in an alienated and "fetishised" way, in the form of things ... Under capitalism, humans are neither able to choose their relationships freely, nor are they able to control their own social existence through unmediated agency. Their social cohesion expresses itself far more in objectified, external *social forms*'.<sup>16</sup>

An analysis of social forms can help not only to decode the putatively natural laws that govern social relations, but also to shed light, at least in part, on the conditions that lead to these reified social relations in the first place. In this analysis of form, it is taken for granted that the social context in which individuals find themselves is expressed in a disguised manner. Social forms such as commodities, money, capital, laws or the 'political' are understood as objectified formations that assume mutual relationships among humans to be independent from one's conscious agency or will, and that shape an individual's perceptions and actions. Such an understanding can help to clarify why 'the always precarious and mutating production of social synthesis follows a certain fundamental pattern. According to this thesis, and somewhat in contradiction to Weberian approaches, recourse to individual agency is insufficient' for understanding social relations.<sup>17</sup> The individuation of capitalist formations as a feature of this mode of production also helps to understand the social relations characteristic of capitalism. For example, the transformation of one's labour into the form of a commodity cannot be generalised across society if there is also not an independent form of value; money cannot take on a life of its own if it cannot also circulate independently as capital, and so forth.

At the same time I should acknowledge here the danger of reducing an analysis of form as theoretical constructs to a sort of conceptual derivations dance. In principle, it is possible to use the concept of 'institution' to indicate a sort of societal constraint on agency. Insofar as social forms or institutions *pre-form* agency, they allow fundamental social antagonisms to 'proceed', that is, they ensure the maintenance and reproduction of society, irrespective of their contradictions. The starting point, then, is an understanding of the complex reciprocal relationship between 'structure' and 'agency', or better, between the impact of social structures/forms/institutions and individual actions. Accordingly, one must ascribe an appropriate role as well to the normative dimensions of social activity. Structures/forms/institutions do not determine social developments –

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16. Hirsch 2005, pp. 21–2.

17. Brand 2006, p. 63.

they preform them, that is, they construct a framework in which open-endedness prevails. Abstract analysis of form and concrete, historical analysis are not interchangeable; otherwise we run the risk of drawing premature, functionalist conclusions. At the same time, structures themselves should be seen as the result of human agency.

With this categorisation of social forms, economic formations (for example, commodity and value forms) and independent political formations should be distinguished from each other. Political forms, in fact, represent one of the unique aspects of capitalist socialisation: at specific historical points (which I describe further below), the relative autonomy of the political sphere has functioned as an essential component of mature capitalism – even if the concrete institutionalisation of the ‘political’ has varied historically and thus cannot be seen in functionalist terms. At the root of this individuation of political forms or institutionalised political relationships is the idiosyncratic dynamic of capitalist reproduction, namely its tendency towards instability. This means, furthermore, that individual capitals do not use direct violence to appropriate surplus products, but rather use the seemingly equal exchange of commodities to achieve such. In contrast to precapitalist societies, in which economic ruling classes did use direct violence to appropriate surplus goods, capitalist production and (formally) free-market trade require contractual relationships that are likewise formally free and regulated.<sup>18</sup> Differentiating the political into its own sphere helps to achieve this: ‘Capitalist relations can... only be fully developed when physically coercive power is separated from *all* social classes, including the economic ruling class’.<sup>19</sup>

The political form – at this stage of my analysis, still not synonymous with the capitalist state – is thus a constitutive element of the capitalist mode of production. However, debates about imperialism have not been systematic or successful in addressing this political sphere.<sup>20</sup> Yet, this individuation of the political allows for interventions into the capitalist economy that are ‘consistent’ with the system itself. In reality, economic processes require both the consolidation of rights and freedoms, and a series of methods and means to guarantee them.

Thus, it is one-sided to argue that the ‘economic’ causes the ‘political’ and the ‘legal’. Despite the mutual interdependence between them empirically, it is nevertheless possible to grant analytical priority to the economic over the political. Continued reproduction of capital is so significant precisely because it is more likely to define the boundaries of the political and to change as a result of its own development than the

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18. See Bidet 1991. The organisation of capitalist market production thus suggests emphasising the significance of legal forms or institutionalised legal relationships (compare Maihofer 1992; Neumann 1967a, pp. 48 et sq.; Neumann 1967b).

19. Hirsch 2005, p. 23.

20. As a result, the fact that capitalist interests try to use the state to meet their own ‘instrumentalist’ goals has been described as the result of subjective, intentional agency (of ‘the capitalists’), not also of the structural interdependence between politics and economics (von Braunmühl 1973, p. 24).



other way around. As the analysis below demonstrates, the 'economic' can be conceived as the more dynamic part of the complex whole of the capitalist mode of production. Socio-economic processes of development thus acquire a special role. They pre-form the international system of states and other inter-societal power relations to a large degree.<sup>21</sup>

I should mention here another fundamental point: commodity production is based on a mutual dependence in which one set of producers relies on the outcomes and property of other producers, but also on strict boundaries between producers because of socially constructed antagonisms between them. Consequently, we can consider it to be a general prerequisite for commodity production that the world of things be separated into discrete bits of property, and that each owner wants the 'right' to own that property.<sup>22</sup> Legal relations, and the related, widely held assumption that social conflicts can be 'rationalising' or 'civilising', do not preclude relations of violence. As Cornelius Castoriadis emphasises, capitalism is in fact the first social order 'that produces an ideology according to which the order itself is "rational". Other types of social institutions relied instead on mystical, religious or traditional legitimation'.<sup>23</sup> Under capitalism, however, rights and interests always exist in contradiction to one another. In the final instance, it is the violence between rivals that is decisive, or the state sanctions conflict, ultimately by means of violence. Thus, violence does not only take on a 'silent' form in capitalist societies. Instead, the constitution and maintenance of property and its boundaries is

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21. Neo-Weberian advocates of *historical sociology* have questioned this claim. However, even in the work of the intellectual pioneers of neo-Weberianism, such as Anthony Giddens, we find assertions that contradict his intentions and qualify his theory of four autonomous, institutional groupings or 'dimensions' of modernism – capitalism, industrialism, surveillance, and military power (see Giddens 1991, pp. 55 et sq.) Giddens also acknowledges that one dimension, 'capitalism', possesses a specific dynamic. He conceives of capitalism more narrowly than the theoretical framework pursued here, seeing it as a system of commodity reproduction, the core of which is the relationship between wage labour and capital and which relies on production for competitive markets. For Giddens, capitalism 'preceded the development of industrialism and indeed provided much of the impetus for its development' (p. 61). According to Giddens, 'industrialism' possesses less of an individual dynamic than 'capitalism' (Giddens 1987, p. 140). Its influence on other institutions is thus considered less extensive than the influences of commodity production. Even the 'political' dimensions of modernity are more influenced by commodity production than the other way around. With the emergence of capitalism, Giddens argues, the 'nature of class rule' and the related control over the means of violence 'significantly changed'. The 'insulation of polity and economy... is founded upon the preeminence of private property in the means of production... [In addition], the autonomy of the state is conditioned, although not in any strong sense determined, by its reliance on capital accumulation' (Giddens 1991, pp. 56–7) In other words, there exists an institutional dimension of 'modernism', a 'capitalist' one or a dimension that my approach would characterise at a socio-economic level, which exerts a sharp influence on the other dimensions without being affected by those same dimensions to the same extent (see Rosenberg 2000, p. 117). The theory that the drive for valorisation exerts a fundamental influence on social relations and their transformations requires, however, that this drive and its consequences first be explored more thoroughly.

22. See Macpherson 1964.

23. Castoriadis 2001, p. 426.

a conflict- and violence-ridden social process. The system of commodity production – represented here only at an abstract level – thus brings with it the need to produce a means of defence, that is, the means of violence and how to organise it.

## 2.2 *Four features of capitalism*

In the following section, I outline the typical and fundamental structural features of the capitalist mode of production that contribute to the emergence of geopolitical phenomena. I begin with a discussion of wage labour relations, then continue with discussion of competitive relationships, money relationships and then finally take up the ‘special case’ of the political.<sup>24</sup>

### 2.2.1 *Wage labour relations – the vertical axis of capitalist social conflicts*

The essential starting point for understanding a given society is how humans organise their productive activity. Because of the basic human need to reproduce oneself materially, productive activities represent a condition of human existence independent from all other forms of collective life. In fact, humans can only survive insofar as they work together in one way or another in order to provide for their collective sustenance.

Historically, new forms of cooperation have led to changes in social relations. This social interdependence has produced specific divisions of labour between groups of people (in the economy, but also in society overall). What makes the division of labour under capitalism distinct is the fact that the producers do not own the means of production; moreover, this lack of ownership exists, different from that of slaves, for example, within a framework of formal equality. In contrast to feudal societies, modern capitalist exploitation is no longer based on *personal* relationships of power and dependency, in which serfs are tied to their respective landlord who was entitled to commit direct violence against them. Under capitalism, wagedworkers enter into a labour *contract* with capitalists. Formally, workers are free, insofar as no one compels them in principle to work – in general, there is no direct, personal relationship of violence there. Power and economic exploitation are realised precisely *through* the formal freedom and equality of the exchange partners on the market. This occurs through generating profit in production and the owner of capital realising that profit in the sphere of circulation.

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24. I do not address other fundamental characteristics of capitalism or, in a larger sense, of capitalist societies here. An example of such is the social relationship to nature. There are specific limitations to the use of natural resources or the use of nature as a dumping ground (for example, pollutants); the boundaries of each are contested and need to be included in analysing the tendency of entire capitalist societies to fall into crisis (see Altvater 2005; Görg 2003a, 2003b). Likewise, I do not dwell on the social antagonisms and oppressive relationships that do not result directly from capitalism or whose roots predate the emergence of capitalism. Moreover, I set aside the discussion of the normative dimensions of capitalist societies: In ‘modern’ societies, the establishment of capitalist systems succeeded because certain normative ideals (for example, egalitarian ideas of justice, individualism) were institutionalised and expressed the sort of aspirations that people hold but which are rarely achieved (see Hartmann and Honneth 2004).

Human labour power must be integrated into market mechanisms in order for wage-labour relations to develop and reproduce themselves. Capital accumulation relies on the private appropriation of produced commodities. This appropriation is not based on a pre-existing social consensus, but rather one that is determined and sanctioned by market laws of exchange and property. Tied to capitalist wage labour relations are specific, generally private relations of property and distribution. These relations largely determine which social actors are allowed to participate in decision-making and the planning for production, distribution and consumption, and they are always contested. Ultimately, the economic units that make the most critical decisions regarding production are decentralised.

In addition, the factors that motivate economic activity, the goals that various decision-makers set, and the behaviour they engage in all take specific forms under capitalism. At the beginning of the twentieth century, Werner Sombart described this phenomenon as 'the principle of acquisition': 'The nature of the principle of acquisition is expressed by the fact that under its power, the immediate drive behind economic activity is not to meet individual human needs, but rather, and exclusively, to increase the sum of money. This purpose is inherent to the idea of capitalist organisation'.<sup>25</sup>

Together, the dependency of wagedworkers on demand for labour, the power of the capitalist to decide how to use that labour, and the right to appropriate the products that wage workers create all constitute the specific character of wage labour relations.<sup>26</sup> The reality of economic exploitation, which as a rule takes places without formally undermining the principle of equivalent exchange, plays a fundamental role in both the concentration of wealth and the centralisation of decision-making powers in modern societies.

Capital dominates wage labour; at the same time, a relationship of mutual constitution and reproduction develops between these two 'main classes'. The presence of these social classes represents the basis for the fundamental conflict within capitalism: the conflicts between the class that rules and the class that is ruled, that is, the 'class struggle' between capital and labour. These two 'main classes' (which, within a concrete, historical analysis, must be understood both in terms of their internal stratification and in their interaction with other classes) exist in a 'vertical' conflict that has played itself out historically in different ways.<sup>27</sup> The struggles and power relations between the 'main classes' under capitalism lead simultaneously to changing wage labour relations and to specific means of regulating social conflicts (for example, in corporatist systems).<sup>28</sup>

Because classes compete internally with each other, as will be discussed further below, their inner structure is not coherent. When individual capitals pool their specific

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25. Sombart 1921, p. 320; compare Marx 1996, pp. 162 et sq.

26. Conert 1998, pp. 156 et sq.

27. The concept of a vertical axis of social conflict can also refer to more complex structural social relations as the confrontation between capitalists and workers first begins to manifest itself (Kößler and Wienold 2001, p. 181).

28. Aglietta 1979, pp. 37–65.

interests and thus take on a subjective interest, we can speak in terms of *capital fractions*. Within the ruling élite, capital fractions are characterised by their economic, ideological or normative, and political unity. By analysing class relations under capitalism, it is possible to identify a number of specific strategies that vary historically and are contested because of structural relations of competition. Such analysis of specific class strategies must figure prominently in understanding geopolitics.

It is thus helpful in this context to introduce the terms *hegemony*, the *historical bloc* and the *power bloc*. With the term hegemony, Antonio Gramsci characterised a power based on consensus, and thus able to rule without relying solely on violence. That is, ruling élites succeed in representing their *specific* interests as the *general* interest. Gramsci's insight suggests, then, that ruling classes are able to exert political leadership and power when their strategic projects are 'hegemonic'. For Gramsci, this means that 'a class is dominant in two ways, i.e. [it is] leading and it is dominant. It leads the classes which are its allies and dominates those which are its enemies. Therefore, even before attaining power, a class can (and must) "lead"; when it is in power, it becomes dominant but continues to "lead" as well'.<sup>29</sup> A hegemonic constellation is established by constructing a relatively coherent 'bloc' that holds power. The so-called 'historical bloc' asserts itself as the contested effort to create alliances that are politically, economically and ideologically coherent.<sup>30</sup> In contrast to a *power bloc*, which refers to the 'contradictory unity of *politically dominant* classes and fractions', the historic bloc represents the contradictory unity of the ruling *and* the ruled.<sup>31</sup>

The relationships between wage labour and capital can thus not be considered in purely 'economic' terms.<sup>32</sup> An analysis of the transformations in social labour must always also take up questions of the relations of power and dominance, which are *shaped* by production but not simply *reducible* to it, as well as ideological and normative dimensions. That is, any analysis of 'vertical' contradictions must also be a political analysis as well.

### 2.2.2 *Relations of competition – the horizontal axis of capitalist social conflicts*

The conflict-ridden nature of capitalist societies generates more than 'vertical' class conflicts. Instead, superimposed on them are 'horizontal' relations of competition, as well.

The constitutive elements of the capitalist economy exhibit 'systematic tendencies toward profit-oriented production for the market' and toward 'capital accumulation

29. Gramsci 1971, p. 57.

30. Gramsci 2000, pp. 193–4, 350.

31. Poulantzas 1973, p. 239, emphasis original.

32. Capitalist relations are marked by a variety of social modes of integration: 'alongside the traditional "base triangle" of workplace, corporation and market are a number of middle grounds composed of corporate alliances and networks, as well of the state and territories in a broader context' (Lüthje 2001, p. 40).

through (more or less) constant innovation'.<sup>33</sup> Given the commodity form of capital and labour, each entity that participates in the production process is required to sell in order to buy, to buy in order to survive and to reproduce themselves, and ultimately to expand and to innovate in order to maintain its economic position vis-à-vis other entities. Under these conditions, there develops the general pressure, first, to produce commodities for the market instead of to meet human needs, and second, to accumulate capital, that is, to use surplus products to expand production, and third, to develop and expand productive capabilities and thus increase labour productivity in order to accumulate still more.<sup>34</sup>

Both (expanded) accumulation of capital and consistent innovation through increased productivity presuppose that surplus value be used for expanded production and not primarily for ruling-class consumption, as was the case in precapitalist societies. It is characteristic of the capitalist mode of production, that, on a micro-economic level at least, corporate profit does not necessarily guarantee a comfortable life for the owner, but rather must be reinvested with the goal of earning more than was originally invested. Seen at a macro-economic level, then, the valorisation of money or capital, that is, the expanded reproduction of capital, is the primary aim of production, while meeting demand is only a secondary product of this process.

In principle there are no limits to and no inherent measures of the process of capital accumulation; in this sense, it is both immeasurable and endless. The dynamic related to this process is an additional idiosyncrasy of capitalism, in that no value can ever be sufficient, 'because there is no measure to define how much valorisation is sufficient. Accordingly, the tendency exists for the *degree of valorisation* to increase (that is, an increase in the rate of profit), and for the *amount of capital to be valorised* to increase as well (that is, increased accumulation of profit that is then invested as productive or interest-bearing capital)'.<sup>35</sup> Historically, this pressure for immeasurable and endless capital accumulation created a world market, and thus functioned to internationalise capital. I should note here that this process generates the causes of capitalist crises, which are important both to capitalist development on a world scale and also for geopolitical power relations.

Thus, in addition to the 'vertical' contradiction between capital and labour, there exists an additional constitutive contradiction in the capitalist mode of production: a 'horizontal' one between the various entities of production, which can also be conceived of as *competition-driven accumulation*.<sup>36</sup> The systematic need to accumulate is thus mediated by competition. This functions as a mechanism of social sanctions that forces each individual capital to accumulate under penalty of no longer existing. As Marx formulated it, competition makes the abstract need to accumulate concrete. The need to accumulate,

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33. R. Brenner 1983, p. 80; R. Brenner 2006.

34. R. Brenner 1977, p. 32.

35. Heinrich 2003a, pp. 314–15.

36. Callinicos 2003.

in conjunction with competition as a mechanism of sanctions, represents an essential structural feature of any given capitalist system.

The *market* as a decentralised system of decision-making is the most important social institution in which competition takes place.<sup>37</sup> Of course, in a market system, we are dealing with a particular form of decentralisation. The concordance of individual 'decisions' appears 'natural' – or is made to look so after the fact. Individual business plans and decisions are 'coordinated' above all through market signals, that is, through market prices and wage rates, but also through quantitative indicators such as commodity inventories, delivery terms, and so on.<sup>38</sup> The absence of planned coordination that characterises market systems does not necessarily render them decentralised, but rather *privately decentralised*.

Individual capitals are distinguished from one another by size and shape. They can be differentiated quantitatively in terms of their various combinations of workforce units and means of production, and qualitatively in terms of industrial, commercial or financial forms of capital. Marx distinguishes between commodity, productive and monetary capital. Historically, as well, concentration (individual capitals getting larger) and centralisation (the number of individual capitals getting smaller) have taken on greater significance. The respective structure of competitive relationships largely depends on concrete social and spatial conditions that exist at any given historical moment. Thus, the specific means by which competition-driven accumulation takes place must be analysed at the level of historical phases of capitalism, and ultimately at the level of historical constellations. Only at these concrete levels is it possible to draw more precise conclusions about the 'political organisation' of specific capitals, starting with the formation of regional or national *associations*, moving on to the exertion of influence on *parties* and further to the foreign policy of a *state*, and finally to the impact of *inter-* and/or *supra-national political institutions*.<sup>39</sup>

In many approaches within international relations, the significance of the horizontal dimension of competition is not sufficiently theorised; in fact, in most theories that view globalisation and modernisation optimistically, the horizontal dimension is thoroughly underestimated.

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37. In reality, of course, there exist multiple markets, and generally these markets are politically regulated or constituted. Practically, this means that the business of exchange takes place in an institutionalised framework, because market exchange is regulated not only by price but also by contract (Sayer and Walker 1992, pp. 124 et sq.)

38. Kromphardt 1987, p. 39.

39. Here, the temporal horizon of accumulation strategies, export or domestic market orientations, and divergent interests in economic policy all play a role. Ultimately, the interplay between these and vertical wage relations must be taken into account. Competitive relationships are closely tied to wage relations (see Aglietta 1979). A central determining factor of the 'ability to compete' is, for example, the extent to which the workforce is disciplined and controlled. At the same time, the ability to innovate depends on how labour is organised within production units, and on economies of scale and economies of scope (see Sayer and Walker 1992). In addition, one must take into consideration not only the competitive relationships *between* productive units, but also those that emerge within them as well (Bryan 1995, p. 33).

### 2.2.2.1 Excursus: Negri's underestimation of competition

Antonio Negri's work is emblematic of how critical theoretical analysis at times underestimates the role of competition. The framework for his analysis is an integrated world capitalism under the aegis of 'collective capital'. As he describes it, in the postmodern era of empire 'government and politics come to be completely integrated into the system of transnational command'.<sup>40</sup>

At the heart of this theory is a reading of Marx that postulates the subsumption of economic competition under 'capital in general' or 'collective capital' (terms that Negri uses extensively as synonyms).<sup>41</sup> Central to developing this theory is a reading of Marx's *Grundrisse* that integrates elements of poststructuralist theory, according to which capitalism is driven by the contradiction of politicised 'power relations' between two antagonistic class subjectivities.

Negri develops this line of argumentation in both *Empire* and his early writing. In *Marx Beyond Marx*, he distinguishes between the Marx of the *Grundrisse* and the Marx of *Capital*. According to Negri, the *Grundrisse* were significant in that they allowed for an analysis of the capitalist means of production as a power relation that is shaped by the unresolvable contradiction between collective labour and collective capital: 'We thus see, throughout the *Grundrisse*, a *forward movement in the theory*, a more and more constraining movement... constituted by the *antagonism between the collective worker and the collective capitalist*'.<sup>42</sup>

According to Negri, the *Grundrisse* anticipated the formation of a collective capital – 'while in *Capital* the categories are generally modelled on private and competitive capital, in the *Grundrisse* they are modelled on a tendential scheme of social capital'.<sup>43</sup> 'Through circulation and socialisation capital comes to be really unified... [Social capital] is also and above all a collective power'.<sup>44</sup> This process culminates in collective capital fusing with the state: 'Marx indicated... especially in the *Grundrisse*, that to say State is only another way of saying capital. The development of the mode of production leads us to

40. Hardt and Negri 2001, p. 307.

41. The significance of competition, insofar as it is seen as an equally important structural feature and not as subordinated to the 'vertical' foundation of wage relations, is thus underestimated. In other Marxist analyses as well, competition (and the related anarchy of the market) is perceived only as a 'superficial phenomenon'. Indeed, Marx still describes competition in the *Grundrisse* primarily as an apparent form of the need for capital to be valorised (see Marx 1973). As Heinrich argues, this analytical distinction is problematic, because, for example, a description of the process of circulation would make a depiction of 'multiple' capitals necessary, but, given the level of abstraction at which 'capital in general' is dealt with in the *Grundrisse*, this specificity was not possible (see Heinrich 2003a, pp. 179–95). Capital in general cannot simply be understood at the level of the average individual capital. Instead, it represents a conceptual abstraction that helps to understand the inherent nature of capital. In the three volumes of *Capital*, by contrast, Marx distinguishes between *individual capital* and *collective capital*. Accordingly, it is only possible to depict the 'laws' of capital by understanding the relationship of multiple capitals to each other and the competition they are subject to (Heinrich 2003a, pp. 194–5).

42. Negri 1984, p. 4 (original emphasis).

43. Negri 1984, p. 27.

44. Negri 1984, pp. 113, 121.



recognise that to say State is the only way to say capital: a socialised capital, a capital whose accumulation is done in terms of power, a transformation of the theory of value into a theory of command, the launching into circuit and the development of the state of the multinationals'.<sup>45</sup> As a consequence, the law of value is annulled: 'The Law of Value dies... Once capital and global labour power have completely become social classes – each independent and capable of self-valorising activity – then the Law of Value can only represent the power (*potenza*) and violence of the relationship. It is the synthesis of the relationships of force'.<sup>46</sup>

In addition to Negri's problematic fusion of capital with the state so as to form a new power command structure over the working class, his theory about the actual effectiveness of 'collective capital' (or 'capital in general') is unconvincing. Contrary to this theory, it seems more logical to conceive of 'capital in general' only as a theoretical abstraction. Instead of treating 'capital in general' as an actually existing social form of collective capital, the issue is to analyse the various levels (such as regional, national, international) of competitive relationships between 'multiple capitals', which undoubtedly need to cooperate. Moreover, this analysis must also include the articulation of these multiple capitals within the relatively autonomous geopolitical relations of competition between states and state alliances. Such analysis would be more generative than Negri's argument that replaces competition with extensively politicised productive relations and a duel between two collective subjects (or at least an argument that sees humanity in transition to such a stage of development).<sup>47</sup> As a brief illustration: competition between productive entities, whether at international, national or sectoral levels, has actually increased in the last twenty years. This development is not the result of a fusion of politics and the economy. The basic conclusion from Negri's theory is that commodity prices today are politically determined and do not result primarily from economic processes. Yet, this conclusion does not hold, which we can prove simply enough by an empirical analysis of the influence of international competition on the industrial sectors of Japan, Germany and the US after 1945.

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45. Negri 1984, p. 188.

46. Negri 1984, p. 172. Negri's dismissal of Marx's theory of value rests, among other things, on the incorrect equation of 'abstract', value-building labour with actual factory labour that can be measured in time. Because the latter seems to be losing significance over time (which on an international scale is actually not true), the theory of value thus loses its foundation. However, 'abstract' labour for Marx is not identical to the specific form in which labour is exerted, but rather a category that is socially mediated. The term indicates the social character of labour that is privately exerted and that produces commodities, irrespective of whether such commodities take the form of a car or nursing care in a hospital (see Heinrich 2005).

47. Underestimating 'horizontal' competitive relationships has far-reaching consequences for the explanatory power of Negri's theory. For him, economic crises are the expression of the struggle between two collective subjects and not of capitalist relations of competition. Moreover, his position allows for the emergence of a comprehensive, unified global dominance.



### 2.2.3 Money relations

Money is a fundamental medium of socialisation in the capitalist mode of production. It stands both at the beginning and the end of the production process. Money itself cannot be consumed, it has no 'use value'. It embodies the 'exchange value' of a commodity and thus serves as a 'general equivalent'. At the same time, money is potential capital.<sup>48</sup>

To begin, money represents a tool with which to mediate commodity exchange. Buying and selling collapse; the two 'halves' of production, commodity for money and money for commodity, proceed separately. Money does not have to be transformed immediately back into a commodity; instead, it can be stockpiled or saved, and in this way it leads a life of its own. Only when produced commodities are 'exchanged again for money' is it possible to see 'the extent to which capitalist private labour finds social recognition'.<sup>49</sup> Michel Aglietta thus writes of a 'money constraint'<sup>50</sup> that undergirds the activity of the state, because the latter procures material resources in the form of money.

Money in its capitalist form, as a fundamental structural feature of capitalism, can perform various functions: Hansjörg Herr and Kurt Hübner argue that the foundation for all these functions is *money as a standard of value*, used to express a commodity's value. As a rule, the standard of value within a given currency area is defined politically (the yen in Japan or the euro in parts of Europe) so as to ensure economic transactions at a national level or credit deals at an international level. On this basis, money can either function as means of payment (for example a means of credit or of buying), or serve as a way to store purchasing power.<sup>51</sup> Both in industrial production processes and in state financing, money plays an important role as a means for accounting, circulation and payment. Access to credit and its modalities, in particular interest rates, holds great significance both for private and state financial activities. Also, money plays a key role in storing purchasing power. Through inflation, creditors can quickly become debtors; likewise, through currency devaluation, exporters generally do better than importers.

The circulation of industrial capital, which is fundamental for social reproduction, can only take place if money is available or advanced ('money constraints'). This fact adds great meaning to the circulation and availability of interest-bearing loans. Through credit mechanisms and the sale of stocks or loans, the circulation of industrial capital takes on its characteristic elasticity, that is, it offers additional opportunities to mobilise capital.<sup>52</sup> This paper money is used to do business in the financial markets. Consequently, as finance capital it takes the character of *fictitious* capital, so long as it concerns the accumulation of tradable rights to income from *future* valorisation processes.<sup>53</sup>

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48. Marx 1998, pp. 336 et sq.

49. Becker 2002, p. 160.

50. Aglietta 1979, pp. 42 et sq.

51. See Herr and Hübner 2005, pp. 99 et sq.

52. Sablowski 2003, p. 203.

53. Without money, economic processes in capitalist society would not exist – at the same time, 'without the production of surplus in the form of profit... this surplus cash would have no

Simultaneously, money is always tied to specific conditions of production and distribution, as well as to concrete currency areas at both state and, at times, supra-state levels. By defining the area in which a given currency is valid, money policy functions in part to mark where a given 'domestic' economy ends and where the 'international' economy begins. Money is thus a politically regulated medium, particularly with respect to how money is spent, that is, to the *supply side*.<sup>54</sup> With money relations, as with the other structural features of capitalism, the inherent presence of the 'political' again finds expression. Absent a world state (which seems impossible for international capitalism), there is no international money: 'That national currencies have to take on international functions throws up a whole series of problems'.<sup>55</sup>

Political regulation of money is required in order to guarantee a stable process of valorisation, for example, to keep inflation in check. It is the work of central banks to perform this task. Within larger national currency zones, central banks generally function as the lender of last resort, which gives them a tremendous amount of potential power. Moreover, they also play 'a particular role in the regulation of international currency trading. States holding international reserve currencies have an advantage over other currencies insofar as they can work to set the norms of international money policy'.<sup>56</sup> The protection of one's own currency area by means of 'currency protectionism' functions as an important component of global currency competition.<sup>57</sup>

However, not all currency areas or individual states are able to engage in such activities with equal degrees of sovereignty.<sup>58</sup> Indeed, the currencies of strong states can even function as money in weaker states: 'It is most efficient when one medium (that is, a national currency) takes on all functions of money. In many countries, however, this is not the case. Countries with little faith in their own currency struggle against parallel currency systems. Dollarisation and Euroisation are phenomena that spread like a cancer throughout the 1990s'.<sup>59</sup>

Throughout various developmental phases historically, as I describe below in the discussion of historical phases of capitalism, national and international spheres of influence enjoyed by a given currency have changed. As we will see, *hegemonic constellations* (the gold standard, for example, and the English pound as leading currencies before 1914, the Bretton-Woods system and the US dollar as leading currencies after 1945) have been displaced in the past by *oligarchic constellations* (for example, the era between 1914 and 1945).

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substance and instead there would exist an inflationary bubble' (Altvater and Mahnkopf 1996, pp. 150–1).

54. Cohen 2000, pp. 138–9.

55. Herr and Hübner 2005, p. 99.

56. Becker 2002, p. 161.

57. Altvater and Mahnkopf 1996, pp. 388 et sq.; see also Grossmann et al. 1985, p. 420.

58. For one, states are not the only actors in this 'strategic game'. Deciding on the position one's national currency should take within the hierarchy of international currencies is often left up to private actors on the currency markets.

59. Herr and Hübner 2005, p. 100.

#### 2.2.4 *The individuation of the political and the plurality of individual states*

The state in capitalism, as an institutionalised expression of the 'special role' that politics plays, represents an additional constitutive feature of capitalism. In the following discussion, I describe its specific characteristics. My central claim, namely that the capitalist state can only be studied in the plural, that is, as 'many' states, is taken up later in an analysis of capitalism in time and space.

Capitalist statehood is a necessary component of a society of generalised commodity production. As compared to economic and other social spheres, only this 'special' authority is in a position, because of its monopoly on physical violence, to perform a number of social, legal and infrastructural functions of integration and assimilation on a permanent basis, that is, independent of crises, with the aim of safeguarding capitalist socialisation.<sup>60</sup>

The need for political institutions can be seen in part on the level of the market, that is, before getting into an analysis of the sphere of production. In order to sustain the market, there is a need for formally free contractual relationships. Capitalist statehood can be traced back to a basic principle in which two parties engaging in exchange on the market in fact require a '*third party*' that embodies a mutual guarantee for each commodity owner as having legal title, and that personifies the rules for commodity owners doing business'.<sup>61</sup> As a concrete realisation of this abstract generality, the state as the 'third party' thus safeguards capitalist exchange relations.<sup>62</sup>

Beyond the sphere of formal, legal equality, however, there is need for an authority that can also ensure the stability of the capitalist mode of production over time.<sup>63</sup> The idiosyncrasy of capitalist relations of production – which are seen in the connection between the economic exploitation *of* formally free and equal people *by* free and equal people and the competition between owners of the means of production and among waged workers – requires such an authority that is formally distinct from social classes. Neither wage labour nor competition nor money relations alone are capable of reproducing market relationships.<sup>64</sup> Instead, they require specific ways to 'regulate' and to govern, which individual capitals need in order to survive, but themselves are not able to provide.<sup>65</sup>

60. See Hirsch 2005; Jessop 1990, pp. 353–67, and 2002; Offe 2006.

61. Paschukanis 1966, p. 130, (emphasis added).

62. See Bidet 1991, pp. 1331 et sq.

63. Thus, it is too simplistic to derive the need for the state from the 'sphere of circulation' so as to guarantee the mutual recognition of (legal) subjects (Hirsch and Kannankulam 2006, p. 75).

64. Bob Jessop has named three fundamental aspects of the need for political regulation: first, the constitutive incompleteness of capital relations, that is, that such relations are unable to fully reproduce themselves on their own; second, the structural contradictions and strategic dilemmas of capitalist accumulation, which are reproduced across various phases and varieties of capitalism; and third, social conflicts that find expression in the regulated circulation of capital and in society as a whole (see Jessop 2002, pp. 18 et sq.).

65. I make a distinction between 'regulation' [*Regulation*] and 'regulating' [*Regulierung*]. While the former term indicates the complex social formations that extend beyond state apparatuses, the latter refers to the more narrowly conceived attempt at political governance.

The individual capitalist state attempts to fulfill a number of ideal ‘functions’, or more accurately ‘tasks’,<sup>66</sup> all of which are contested and thus may or may not be carried out. Keeping in mind the state’s obligation to integrate and assimilate, we can differentiate the following fundamental domains of state tasks: legal regulatory tasks, economic tasks, and political tasks.<sup>67</sup> Of course, these different state tasks and their institutional features overlap with one another in reality, such that the relative balance among them can vary.

- The domain of *legal regulatory tasks* encompasses, on the one hand, the need for constitutional procedures, that is, the need for minimum legal regulations and their enforcement. Within the framework of the rule of law, capitalist relations of commerce and ownership are fundamentally and permanently institutionalised as legal relations. On the other hand, these tasks involve the exertion of territorial sovereignty on the basis of monopolised control of the means of violence. Domestically, sovereignty means preventing the rise of competing centres of power, while externally it means that the state makes decisions and takes action independently with respect to other states and other collective actors.
- *Economic tasks* refer to the need to create an institutional framework within which money can function as a medium of general equivalence, and to create specific infrastructural state functions, such as supporting generalised conditions of production that lead to successfully reproducing capital. In addition, an essential state task is to guarantee a certain degree of ‘social statehood’, that is, a guaranteed minimum existence of the workforce. Moreover, there are the tasks related to fulfilling a ‘world market function’. Such tasks include supporting individual capitals based within a given state’s territory, both to secure and improve their market standing, and to improve their overall integration into the world market.<sup>68</sup> Finally, there are the tasks related to crisis management, that is, using specific means to combat socio-economic and political crises.
- Above all, generating social cohesion and consensus belongs to the domain of *political tasks*. The state ensures social integration through the sort of conflict resolution and political consensus that it creates, and which can be institutionalised in liberal-democratic forms. Moreover, the modern state is also responsible for the socio-

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66. The term ‘task’ is more meaningful than ‘function’ in its reference to agency. A state only fulfills its ‘functions’ when specific actors perform them. A second point is worth mentioning here as well: state functions are carried out in ways specific to a given historical phase. In other words, the following tasks mentioned in this section do not necessarily appear in every era in the same way.

67. I do not take up here the separation between state and private spheres. For example this succeeds in masking the state’s dependence on private household labour, which is carried out to a large extent by women (Sauer 2001, p. 159).

68. Securing sovereign territory should also be understood as part of the ‘world market function’ of a state. This includes the collection of duties, as well.

cultural task of an 'imagined community'.<sup>69</sup> In the context of unequal social power relations, the capitalist state attempts to pool together individual interests into a legitimate 'general interest', both domestically but also in contrast to other states or, more broadly, other societies. This leads to the problem of each state concretely shaping a capitalist 'collective interest', that is, the ways in which an individual state reacts to different challenges, usually at the international level. Because alternative, contested reactions are possible, we cannot simply reduce state policy to the immediate, individual economic interests.

Before being able to perform these tasks, that is, to exert 'dominance', individual states must ensure their *monopoly on violence*, as Max Weber stressed.<sup>70</sup> Violence, or at least the credible threat of violence both domestically and externally (in relation to other states and collective entities), is the essential precondition that allows the state to perform its other tasks.<sup>71</sup> In order to ensure the financing of these tasks, the capitalist state has established itself as a 'tax state'. This monopoly on taxation helps to explain both the state's authority to exercise power and its exclusive right to regularly appropriate a portion of *every* citizen's income and wealth.<sup>72</sup>

All in all, the individual capitalist state establishes its own special 'infrastructural power'. This entails the ability of state institutions to use legal, administrative and other state functions (for example, social and family policies) to dominate within its sovereign territory, such that 'free' citizens in fact become dependent on the state in a multitude of ways.<sup>73</sup> Moreover, statehood begins to anchor itself in the day-to-day lives of its citizens, such that they act in accordance with the imperatives of capitalist relations of production.<sup>74</sup>

#### 2.2.4.1 Structural interdependence and 'the interest of states in themselves'

The specific structure of the relationship between the 'economic' and 'political' under capitalism can be explained by considering the case of the state's monopoly on taxation. Individual capitals and the individual state form a system characterised by *structural interdependencies*.<sup>75</sup> '[This] new paradigm [of structural interdependence] begins by rejecting the idea of state intervention in the economy. It insists instead that state

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69. See Anderson 1991; Gellner 1983.

70. Weber et al. 1946, p. 78.

71. Institutionally, the monopoly on violence is generally divided between the police and the military (see Giddens 1987, p. 182). This does not mean, however, that no other forms of extra-state applications of violence exist, only that, as a rule, the state can impose itself as the final authority on violence.

72. Krätke 1991, pp. 118 et sq.

73. Mann 1986, p. 59.

74. Gerstenberger 2006, p. 527.

75. See Block 1994, pp. 696–705; Block and Evans 2005; Offe and Ronge 1976; Offe 2006.

action *always* plays a major role in constituting economies, so that it is not useful to posit states as existing outside of the economic activity'.<sup>76</sup>

A country's legislative power and the way it collects taxes significantly influence the internal organisation and the external opportunities for corporations to manoeuvre. Simultaneously, however, corporate activities and interests have an effect on the state itself. This leads to a diversity of power relations among various state *apparatuses*. The state, in turn, must satisfy the interests of different capitals in order to ensure the basis on which to levy taxes. In this sense, the state must accommodate to the economic contexts into which it has intervened.<sup>77</sup> Because the process of accumulation is the decisive, dynamic force animating the capitalist mode of production, the state – in order to remain a viable actor – must take account of the fact that its revenues, which allow the state to set policy in the first place, ultimately depend on the generally uninhibited accumulation of capital.

Nevertheless, an individual state can only contribute to ensuring the accumulation of capital when it is able to act with at least *relative autonomy* from individual capitals. A functional pre-condition of the capitalist system is the existence of a relatively independent political power that attempts to temporarily resolve social antagonisms, even when this leads to conflicts with individual capitals or fractions of capital. The tasks of the capitalist state are thus not simply synonymous with the interests of individual capitals. That is, the state is not a mere 'instrument' of capital. Instead, the capitalist state contributes to ensuring the appropriate conditions for the accumulation of collective capital, conditions that arise out of conflicts between individual capitals and their specific interests. Governments do not pursue this goal because their members have been bribed by capital or are synonymous with it, but rather because the uninhibited accumulation of capital forms the economic basis of the capitalist state: "Thus it is the "state interest in and of itself" – or more precisely, the individual interests of its bureaucratic and political functionaries – that makes it relatively independent from direct influences as the guarantor of capitalist relations of production... State officials then see themselves as responsible for guaranteeing that the processes of accumulation and valorisation succeed without being subject to direct influence or pressure from the side of capital. The state in society as it currently exists is thus "capitalist" for *structural reasons*, not simply because it is subordinated to the direct influences of capital'.<sup>78</sup>

In the characteristic *differentiation* between politics and economy under capitalism,<sup>79</sup> there lies an important difference, for example, between capitalism and the societies of

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76. Block 1994, p. 696; compare Mackert 2006, pp. 39 et sq.

77. Offe and Ronge 1976, p. 56.

78. Hirsch 2005, p. 26.

79. In contrast to the concept of 'separation', which suggests a sort of permanent division, I use the term 'differentiation' (see Dale 2004). I do not address here the ways in which *civil society* develops to a certain extent out of the distinction between the economy and the state as a third level (see Cox 1987).

European feudalism, in which feudal power was less territorialised than with the capitalist state and in which an unconstrained state monopoly on violence did not exist. Consequently, one spoke of a 'feudal parcellation of sovereignty'.<sup>80</sup> In contrast, the capitalist state in its ideal form is characterised by successful, if also precarious, social integration. The capitalist state attempts to achieve this through linguistic, ideological and cultural homogenisation, and in this way is able to develop into a national state.

The individuation of the political is a decisive precondition for dealing with social conflicts between and within classes. This explains why actually-existing states represent sedimented power relations rooted in specific social conflicts and the state's specific standing in the world market (either as a 'weak' state on the periphery or as a 'stronger' state in the centre). In this way, states acquire their own characteristic 'materiality'.<sup>81</sup> In this respect, the concrete configuration of states must be analysed as part of their historical development by studying the ways in which individual capitals, groups of capital, actors from civil society and the state all interact with each other.

#### 2.2.4.2 The plurality of individual states

In this study, I make a distinction between *political form*, an *individual* territorial state, and the *national* state. Political form should be seen as an abstraction, which finds institutionalised expression as the territorial capitalist state. Individual territorial states are not necessarily *national* states. The individual territorial state in capitalism can be defined as a spatially homogeneous dominion with centralised power and generalised state citizenship. That is, it is not necessary to depict this type of state as a necessarily 'national' state or as a 'national community'.<sup>82</sup> The political fractioning of space into 'many' individual states should be distinguished from the forms of their historical realisation. As I demonstrate below, it is possible for the individuation of the political to occur simultaneously across multiple spatial levels (for example, on national and international levels). In the remaining discussion, I concentrate on the individual state only insofar as it exists as part of an international system of states. In this way, capitalist states thus constitute to a certain extent 'competitive states'.

As some authors noted in the critical debates in the 1970s about the state (for example Claudia von Braunmühl or Colin Barker), the discussion remained at an early stage of

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80. See Anderson 1996.

81. See Poulantzas 2000, pp. 127 et sq. Poulantzas's concept of the state as a 'compression' of power relations, which sees the working class as part of this relation, should be understood above all as the organisation of the ruling classes in and through the state: 'The state thus constitutes the political unity of the dominant classes' (Poulantzas 2000, p. 127).

82. This may in fact be hard to realise in practice, but an example of a territorial capitalist state that is not a national state would be a European Union that is institutionalised formally, holds a monopoly on violence, and is thus in a position to carry out the functions of integration and assimilation that I have described. Such a union would presumably be seen as an individual state with no significant national identity, but which would be caught up in relations of cooperation and conflict with other states.

research and suffered from a central weakness: namely, it was a discussion of the state in the singular. 'Their treatment of the state remains at an inappropriate level of abstraction, in particular in that it treats the state as if it existed only in the singular. Capitalism, however, is a world system of states . . . Any discussion, therefore, of the capitalist state form must take account of the state both as an apparatus of class domination and as an apparatus of competition between segments of the bourgeoisie'.<sup>83</sup> The question of how an internationally fragmented system of states could be incorporated into a systematic representation of capitalism thus remained unanswered. This recognition suggests the need for a study of 'many' states in space and time.

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83. Barker 1991, p. 204; compare von Braunmühl 1976, pp. 275 et sq.



## Chapter Five

# Capitalism as a Globally Fragmented System across Space and Time

The previous chapter presented a description of an 'ideal' form of capitalism, and in so doing disregarded the actual fragmentation of the system and the paradoxical processes that unfold in historical reality. As such, in the following chapter, I focus more precisely on the spatial and temporal dimensions of capitalism. Theodor W. Adorno emphasised that the dynamic of capitalism is the central drive behind development within bourgeois society. 'To preserve itself', he wrote, 'to remain the same, to "be", that society too must constantly expand, progress, advance its frontiers, not respect any limits, not remain the same'.<sup>1</sup>

In the following discussion, I argue that a global perspective is required so as to understand the international economy, politics and social power relations. From this perspective, it is possible to examine the *fragmented world economy*, the *international state system*, as well as collective actors and the moves they make *between* these two systems (for example, social and political movements). In addition, with the aid of the concept of combined and uneven development, I analyse both the differentiated 'totality' and the dimension of the 'international' within the global capitalist system. Within the context of a capitalist 'spatial economy', I then make these general comments more concrete by referring to the territorial specification of capital accumulation and relying specifically on political processes of assimilation.

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1. Adorno 2007, p. 26.

Throughout these related sections, I elaborate the dynamics of the capitalist world economy and the international system of states. The chapter ends with some considerations of the various forms of capitalist competition. Finally, so as to illustrate otherwise general or theoretical observations, I refer to historical cases.

## 1. Combined and uneven development, relations of space and time, and the ‘international’

### 1.1 *The need for a global analytical perspective*

To move beyond a conception of the capitalist mode of production in only general terms, one must take up a global perspective on the many varieties of capitalism that have existed across space and time. In Marx’s writings themselves, there are only suggestions of this type of approach. In the third volume of *Capital*, he noted: ‘The specific economic form, in which unpaid surplus-labour is pumped out of direct producers, determines the relationship of rulers and ruled, as it grows directly out of production itself and, in turn, reacts upon it as a determining element. Upon this, however, is founded *the entire formation of the economic community which grows up out of the production relations themselves, thereby simultaneously its specific political form*’.<sup>2</sup> Thus, we still need to determine more clearly what is meant by ‘the entire formation of the economic community which grows up out of the production relations themselves’, especially in spatio-temporal terms, as well as what precisely ‘its specific political form’ might be.

My claim is that the ‘economic community’ is synonymous with the modern international capitalist economy, that is, the collective, developing and interdependent system of production, circulation and consumption, of productive as well as financial investments, but also of the movement of labour, etc. Global capitalism takes on its specific ‘political form’ as an *international system of states*, that is, as the existence of ‘many’ states, of fragmented political spaces, of manifold inter- and supranational relationships. As I will demonstrate below, we can only understand international relations sufficiently when we move beyond classical understandings of the economic and political and instead conceive of ‘inter-societal’ relations. The ‘inter-societal’ cannot be conflated with the ‘international economy’ or the ‘international state system’. Rather, it encompasses social, political, socio-cultural and normative dimensions beyond the state and the economy.

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2. Marx 1998, pp. 777–8 (emphasis added). In *Capital*, Marx abstracts from the international system of states. One might then say that he discusses the *capitalist mode of production in general* – with only a partial *inclusion* of multiple capitals (especially in his historical discussions), but that he does so by largely ignoring the fact of ‘many’ states, that is, the diversity of capitalist societies.

From a GPE perspective, we gain insight into the individual state: because each individual state only exists as part of a larger whole – it can only be defined as an individual part in relation to the other parts – its capacity to act is limited. This has an impact on the extent of socio-economic and political activities that individual states are able to conduct. Thus, we can see why a narrow analytical division of domestic and foreign politics is insufficient. With respect to its citizens, the individual state stands in a hierarchical relationship in which it must hold its own vis-à-vis other states under general conditions of relative anarchy. The possibility that ‘new’ competitors might shift the international balance of powers makes this relationship even more dynamic.

From a global perspective, moreover, the classical distinction between *private* property and *state* property, that is, the assertion that nationalised property stands in stark contrast to private property, comes into question. State property (as differentiated from the democratic control of resources and wealth) does not necessarily represent a negation of private property, but rather should be seen as one among many forms of specific control over economic and political institutions under capitalism.

The international capitalist economy and the international system of states are distinguished by a unique quality: they represent more than the sum of their parts. Within each state, there are many specific players acting on, with and against each other. As a result, a complex international network of production, circulation and consumption processes and of state and non-state collective actors begins to develop that can no longer be regulated by any individual institution. This complexity grows even further insofar as these activities have a number of unintended and unanticipated consequences.

In this way, the international capitalist economy acquires its own dynamic with complex corporate interconnections, an inter- and transnational division of labour, a hierarchy of markets, production and consumption norms, all of which react back on locally rooted relations of life and production. Thus, the issue here is less a purely economic relationship, but rather *relations of power and dominance* that are asymmetrically embedded in political and socio-cultural dimensions.<sup>3</sup> The international economy, the

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3. In this study, I analyse *power* in the context of specific historical configurations of the capitalist mode of production. In so doing, the term ‘power’ refers to power *relations* between groups or classes, as well as between states and other inter-societal actors. When these power relations lead to a subordination of one to the other that is seen as legitimate, then Marx and Weber speak as well of ‘dominance’. Capitalist power relations within a given society are typically masked in that the majority of society is compelled to sell its labour power in a way that does not require the threat of direct violence. Under capitalism, power nevertheless rests on obeying the law and is thus politically institutionalised. In this study, I focus on international, inter-state forms of power and how it is practised (hard and soft geopolitics). Such an analysis is important so as not to fall into the trap of ignoring power altogether (Sauer 2003, p. 622) or adopting insufficient definitions of power. An example of the former are theories of globalisation that are too harmonious and optimistic; examples of the latter are (neo-)realist analytical approaches within international relations. As opposed to artificially separating politics and the economy and the theory of the autonomous political power of the nation state it leads to, we can consider instead the relational and structural effects of power and dominance within the international capitalist system. Power

international state system, and additional ‘inter-societal’ relations together form the constitutive foundations of ‘international politics’ and ‘economic development’. In saying this, it is possible to abandon the well-trodden paths of ‘state-centred’ neorealism, as well as to overcome the weaknesses, for example, of neo-institutionalism within international relations.

In order to make such insights fruitful for an analysis of global rivalries, it is necessary to move beyond the focus on individual states while also not underestimating the significance of individual state dimensions. Such a perspective helps to overcome the ‘stealth conservatism’ of older theories of imperialism: namely, considering imperialist politics ‘only’ as a ‘spill over’ – by which previously national ‘capital’ extends beyond its borders and thus provokes confrontations with other capitals who likewise have outgrown their own internal reproductive relations – and not considering capital accumulation and the specific political organisation of the world market as multiple states in an international context.<sup>4</sup> At the same time, this perspective also helps to overcome the dichotomy so beloved in the social sciences between a ‘traditional’ *methodological nationalism* and a ‘groundbreaking’ *post-national theoretical perspective*.<sup>5</sup> A global research perspective is thus required precisely so as to study individual capitalisms, states and their variability, and varying geopolitical power strategies.

## 1.2 *Combined and uneven development and the level of the international and the inter-societal*

The concept of ‘combined and uneven development’ can be helpful for analysing capitalism in space and time.<sup>6</sup> That societies develop in unequal ways is a banal observation. However, that societies *coexist* at varying levels of development and interact with another is less widely understood. The concept of *combined* development speaks to this issue. One hallmark of a society’s development has been how it has interacted with other societies at different stages in their own development. As capitalism has taken root internationally, this interaction has taken on a greater significance.<sup>7</sup> Here, it is necessary to

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is connected as much to asymmetrical relations and means of ‘power’ as it is to the hierarchical *structural* conditions under which actions are taken. Power cannot be reduced to quantifiable resources, but rather relies on the ability to engage in projects and to find international partners who can cooperate in the implementation of those projects. In this way, power relations move beyond the level of the individual state and of fundamental economic structures. The term ‘inter-societal’ relations, which remains to be developed in detail, refers precisely to this situation.

4. Von Braunmühl 1974, p. 35.

5. See Beck 2004; Zürn and Zangl 2003.

6. In recent years, some significant critics (such as Justin Rosenberg and Benno Teschke) of dominant positions within international relations have worked with this concept (Rosenberg 2005, 2006; Teschke 2003; compare Barker 2006). Leon Trotsky used the concept in the early twentieth century to explain the unique development of tsarist Russia, although he only developed the concept more explicitly in his later work (Jessop 2001a, p. 73).

7. Barker 2006, 78–82.

state that the pair of terms 'space' and 'time', which I further elaborate below, cannot be seen as naturally existing categories. Instead, they are socially constructed and should be seen as such. The standardisation of contemporary notions of time and space are a product of history. They had to be standardised.

Within the context of this sort of theoretical understanding of history, the concept of combined and uneven development offers an alternative to the neoclassical, modernisation-oriented models of development, as well as to theories of 'underdevelopment', which are unable or only partly able to explain the economic growth spurts in 'underdeveloped' regions outside of capitalist centres.

In neoclassical models, capitalist 'competition' is seen as a force that harmonises relations between capitalist entities. Competition and the movement of capitals tend towards a state of equilibrium and thus alleviate the differences between corporations, regions, and states. However, this 'convergence theory' is based on inaccurate assumptions – for example, the increase in outright competition, homogenised goods, uniformity of production techniques, patterns of demand, more thorough market transparency, and so on. Moreover, this theory assumes historical conditions, such as development having initiated from equal starting points, the equal status of business partners, and so on, that are also not often the case.<sup>8</sup> In fact, neoclassical economics ignore three fundamental characteristics of competition-driven accumulation:<sup>9</sup> first, competition is related to the movement of corporations and the extent of their institutional embeddedness; second, technical developments must be integrated into this movement; and third, one must assume that different capitals are unequal in their development because of unequal development in production standards across various economic sectors. In contrast to these neoclassical assumptions, capitalist competition does not lead to homogenised, but rather to contradictory and dynamic growth, which depends, to varying degrees, on unequal levels of monopolisation. Capitalist development on a world scale generates enormous spatio-temporal inequalities. Historically, capitalist relations developed and took hold within national boundaries, but they were and are affected both by domestic regulation and inter- and transnational relations. In this way, the orientation of capitals on the world market comprised the most important driving force behind international relationships that were growing ever more interconnected. Internationalisation is not only the result of specific, historical stages related to crisis (of overaccumulation), but rather should be seen as a general tendency of capital.<sup>10</sup> Accumulation processes develop unequally as well, because different national societies offer different conditions in which to establish capitalist production. International capitalism thus comprises a nexus of

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8. See Ambrosius 1996, pp. 313 et sq.; Weeks 1997, and 2001. It is thus little wonder that empirical longitudinal studies done by the OECD, in contrast to the assumptions these theoretical approaches make, do not even indicate a convergence in development among its own member states (see Wade, 2004).

9. Girschner 2004, pp. 145 et sq.

10. Busch 1974; Neusüss 1972.

*capitalisms* that are at once distinct but interrelated, and characterised by ongoing processes of differentiation and assimilation.<sup>11</sup> Current comparative research on capitalism ('varieties of capitalism') speaks explicitly to this issue.

Historically, the first capitalist economies (in Europe, and thereafter in North America and Japan) have been able to maintain their dominant position even as each of them has passed through different moments of growth and slump. Larger parts of the world – and not just the former colonies – have been unable to overcome their status on the capitalist 'periphery'.<sup>12</sup> Thus, at issue is not a logic that fundamentally separates the centre from the periphery, as some dependency theorists would have it. Instead, asymmetrical relations must continually be produced and reproduced; they are and have been thus relatively open. One indication of this is the 'international divisions of labour', which have transformed over time and reflect the constantly changing conditions of accumulation within individual industrial sectors, clusters, and regions.

The theory of combined and uneven development is also helpful for avoiding the common fallacy that international capitalism is ultimately a single entity led by certain powerful collective actors (such as the US government). 'The very notion of "International Division of Labor" (not to mention International Economic Order!) suggests the intervention of some Great Engineer-Master Builder who organizes labor according to some preconceived world-wide plan. Depending on our own inclinations and styles, we see this watchmaker's activity as the result of the activities of various readily identifiable subjects, either the Multinationals, the Trilateral Commission or some restless machiavellian ectoplasm such as World Capitalism or the World Economy'.<sup>13</sup> In my view, then, the social process of reproduction in its entirety should be understood as a process *without a leading subject*, which is why the unanticipated, paradoxical effects of various collective actors and the actions they take must always be kept in mind.

According to Teschke, the theory of combined and uneven development promises to 'avoid both the pitfalls of the comparative method, in which international events exist in contrast to an explanatory core as "external" or "contingent", and the fallacy of some theoretical approaches based on the primacy of foreign policy, whose analysis of geopolitical competition largely ignores the social dynamics within the respective societies. While this perspective breaks with (theoretically and empirically untenable) deterministic and teleological conceptions of history, it also systematically incorporates the multi-

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11. Barker 2006, pp. 80 et sq.

12. In this context, we can speak of the construction of diverse 'peripheral' Fordisms. For discussion of the term 'peripheral Fordism', see Alnasseri 2004a, pp. 138–56. Weeks distinguishes between *primary* and *secondary* uneven development. The former refers to, above all, the relationship between developed and less developed capitalist states (Centre-Periphery), while the latter refers to the uneven development among the developed capitalist states, which vary in their status as industrial or service-oriented developed economies (Weeks 2001).

13. Lipietz 1984, pp. 81–2.

linear, internationally interdependent development of country-specific formations into a theoretically controlled historical reconstruction'.<sup>14</sup>

Likewise, it is possible to re-conceptualise the term 'international' with this theory of combined and uneven development: the emergence of interactions among a 'plurality of societies'<sup>15</sup> means that the reproduction of each individual society does not only depend on its own internal, intra-societal relations. Rather, this reproduction is shaped as well by inter-societal relations.<sup>16</sup> This is precisely the point that the concept of 'combined development' speaks to. From this perspective, it is difficult to maintain the classical concept of society as an internally-directed society:

The consequence is that one would have to abandon at the deepest theoretical level any notion of the *constitution* of society as analytically prior to its *interaction* with other societies. For 'in reality, the national peculiarities' which seem to pre-exist and govern international relations are themselves in each case not pre-interactive essences, but rather 'an original combination of the basic features of the world process' ... of human development – that is, of its uneven and combined character ... And yet if the 'societal' dimension of reality thus cannot be regarded as analytically preceding the 'inter-societal' one, any attempt to reverse the precedence only produces the nonsensical idea of an inter-societal reality prior to societies. This whole line of reasoning must therefore end with the conclusion that the two are analytically coeval. Hence the definition of social theory must somehow be framed so as to incorporate the inter-societal within the social. Hence, in fact, any social theory which does *not* do this is, to that extent, a false abstraction from 'the real connections and consecutiveness of a living process'.<sup>17</sup>

Rosenberg establishes that classical sociology and the discipline of international relations are generally lacking a precise conception of what is circumscribed by the word 'international'. The concept of inter-societal interactions, that is, those interactions that move beyond inter-state relations and the international economy, is not systematically integrated into the theoretical frameworks of either discipline. Indeed, theoretical generalisations are derived from the *internal transformations* of societies, generally in the

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14. Teschke 2005, p. 596. In his book, *The Myth of 1648* (Teschke 2003), he applies this theory specifically to the period in which capitalism emerged. However, Teschke also argues that his conceptual approach should be extended 'to the discussion of imperialism, globalisation and neo-imperialism' (Teschke 2005, p. 597).

15. Görg 2002, pp. 298 et sq.

16. The term 'inter-societal relations' includes the possibility that, along with economic and geopolitical interests, civil-societal, ideological, and normative dimensions can have international effects.

17. Rosenberg 2006, pp. 325–6. The historical sociologist Michael Mann addresses this issue as well, insofar as he contrasts his term 'society' to that of a simple entity: 'A *society is a network of social interaction at the boundaries of which is a certain level of interaction cleavage between it and its environment*' (1986, p. 13, original emphasis). Societies are thus conceived of as federative, layered, and overlapping networks.

form of a chronological progression from antiquity, to the middle ages and modernity. To be sure, there are comparative studies of *external difference*, for example, in which European social structures are compared to Indian or Chinese ones. However: 'What we do not find . . . is a drawing together of these dynamic and comparative moments of analysis in order to theorise a specifically inter-societal dimension of social change'.<sup>18</sup> As yet, the term 'inter-societal' has rarely been used. Conventional theories within international relations tend to limit themselves to analysis of 'inter-state' interactions (realism, neo-realism), while, more recently, international configurations and normative dimensions (institutionalism, régime theory, constructivism) have been considered. Taken together, these theories of international relations toggle between objectified and reductive explanations for conceptualising the 'international'. While the realists concentrate on competition among states, the institutionalists and constructivists reduce their analysis to intra-societal terms and thus fail to grasp the importance of competitive and cooperative relations between capitalist societies.<sup>19</sup>

The concept of combined and uneven development indeed allows the term 'international' to take on a new definition. The international is not simply the largest possible 'analytical unit', but rather a 'differentiated totality' that encompasses the dynamic processes by which competition and cooperation between societies are articulated. The international dimension is a dimension of social reality that varies across space and time and emerges from the interaction of societies, that is, not only of states: '[V]ia reflection on the dynamic, synthetic character of social reality interwoven in this way, we touched the issue not only of what, but also of *where* "the international" really is: for in the end, we found, it subsists neither at a level above, nor in a space between, societies, but rather in a dimension of their being which cuts across both of these "places" and reaches simultaneously into the "domestic" constitution of those societies themselves. Perhaps it is this slippery, transversal property which has always made it so difficult to grasp'.<sup>20</sup>

The inter- and trans-national are inseparable from other spatial dimensions, but also irreducible to them. To a certain extent, they *intersect* other spatial dimensions. In this way, international relations can neither be understood as an autonomous field of study, nor can they be studied in simple intra-societal terms. Accordingly, in this current study I do not use the concept of *world society*.<sup>21</sup> 'One can want such a "world society". One can speak in figurative terms of a "global village", because spatial distances can so quickly be bridged with help of the media. However, the "world" is instead distinguished precisely by the fact that it does not function as a "society" or as a "village"'.<sup>22</sup> Likewise, it

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18. Rosenberg 2006, p. 312. In order to analyse the enormous impact of international relations on individual societies, Kees van der Pijl writes of 'modes of foreign relations', in a nod to differentiating modes of production (van der Pijl 2003).

19. See Teschke and Heine 2002.

20. Rosenberg 2006, p. 327.

21. See Albert 2004.

22. Narr and Schubert 1994, p. 23; compare Görg 2002.



is equally doubtful that the *paradigm of communicative action* – developed by Habermas in the tradition of critical theory to express the hope that social learning processes based in morality and rights might be used to overcome systems of exclusion – can simply be applied to inter-societal spaces. The international constitutes a space of social relations of a specific character, in which it becomes especially clear that ‘rationalisation’ only ever unfolds in ‘particular’ ways.<sup>23</sup>

The characterisation of international space as a multi-relational network has significant consequences: actions taken within international space, even more so than in their national dimension, intersect with and are shifted and changed by an unmanageable diversity (anarchic as well as hierarchical) of relations. Because of this complexity, unintended and unanticipated – that is, also violent – consequences of these actions are inevitable.<sup>24</sup>

### 1.3 *A spatial economy of contemporary capitalism*

In order to understand processes that occur in the capitalist economy as well as in the international state system, it is necessary to comprehend their *spatial dimensions* while also considering their temporal dimensions. The definition of ‘international’ used in this study is one step in this direction. Additional insights can be gained from the work of Henri Lefebvre, David Harvey, and Neil Brenner, among others. Their studies contribute

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23. Adorno 1996c, p. 231.

24. Thus, we can also see as deficient Schumpeter’s approach to argumentation, which theorised imperialism as an historically outdated phenomenon, although his approach has held on in the form of ordoliberalism (Röpke 1945), modernisation theory (Rostow 1960), historiography (Mayer 1984) as well as in the social sciences (Dahrendorf 1963; Beck 1998). This approach assumes an atypical model of capitalism in which: total competition dominates, capitalism is essentially a system of commodity exchange, and state intervention from a capitalist standpoint seems completely irrational. As Michael Mann argues, even for the period before 1900, there were few empirical bases for Schumpeter’s assumptions. In the period around 1875, modern states were largely already ‘capitalist’ states: ‘By the time capitalist property and market forms were thoroughly institutionalized . . . almost all political actors had internalized their logic. Countries became more similar on this crystallization, as they all commercialized and industrialized . . . In this period, we shall find little head-on conflict from feudal movements. In fact, feudalism tended to transform itself into capitalism with far less conflict than Marx seems to have believed’ (Mann 1993, p. 82.) In the end, Schumpeter exonerates capitalism from any responsibility for the catastrophes that pushed humanity over the edge between 1914 and 1945: ‘[Schumpeter] basically described a series of industrial accidents that were caused with increasing regularity by debt and the portentous influence of old elites, even though it resulted in imperialism between industrial states’ (Wehler 1970, p. 16). Karl Polanyi also argues against the liberal notion that imperialism is merely an irrational phenomenon. From the end of the nineteenth century, ‘[i]mperialism and half-conscious autarchy were the bent of Powers which found themselves more and more dependent on an increasingly unreliable system of world economy’ (Polanyi 2001, p. 227). Contrary to the ‘popular political theology’ of liberalism, imperialist ‘rivalries’ are not radically contradictory to capitalist development, but rather are an expression of the disintegration of the world economy caused by the ‘utopian endeavor of economic liberalism to set up a self-regulating market system’ (Polanyi 2001, p. 31).

to an analysis of the terms ‘space’ and ‘time’, as well as to their application to the ever-changing capitalist ‘spatial economy’.<sup>25</sup>

‘Space’ and ‘time’ must be understood as socially constituted categories. Conceptions of *time* and *space* have transformed themselves massively over the course of human history. The growth of capitalism has created a sort of common sense among humans that space is unified, linear and well defined, and that time is constant and continuous. Local communities with their own notions of space and time hardly exist anymore.

Neil Brenner writes this about *space*: ‘Space is not merely a physical container within which capitalist development unfolds, but one of its constitutive social dimensions, continually constructed, deconstructed, and reconstructed through an historically specific, multi-scalar dialectic of de- and re-territorialisation’.<sup>26</sup> For his part, Lefebvre has argued: ‘Reproduction (of the relations of production, not just the means of production) is location not simply in *society as a whole* but in *space as a whole*’.<sup>27</sup>

The spatialisation of social relations, or the ‘plurality of spaces’ is the result of strategic, and, to a degree, state-political actions.<sup>28</sup> Giddens characterises this issue appropriately: ‘The phrase might seem bizarre, but human beings do “make their own geography” as much as the[y] “make their own history”. That is to say, spatial configurations of social life are just as much a matter of basic importance to social theory as are the dimensions of temporality, and, as I have often accentuated, for many purposes it is appropriate to think in terms of time-space rather than treat time and space separately’.<sup>29</sup> At the same time, space cannot merely be seen as an object – the organisation of space has its own effects on social relations.<sup>30</sup>

In the following discussion, I demonstrate that space and time, or scope and longevity, place a central role on both ‘vertical’ and ‘horizontal’ conflicts (that is, in relations of labour, political and economic competition, as well as money relations), and thus must be included in any analysis of capitalist development. With the help of these categories, we can further move beyond an ideal type of capitalism ‘in general’ and get into an analysis of what in fact has transpired historically.

Actually-existing capitalism should be seen as a versatile system that constantly transforms itself, in which the tendencies that emerge from it manifest both in and through various spatial dimensions. According to Brenner, the developments and reconfigurations of international capitalism can be analysed along at least four spatial dimensions: the global, national, regional, and urban.<sup>31</sup> None of these dimensions takes historical

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25. Mario Candeias notes that, among ‘classical’ Marxists, it was Antonio Gramsci who focused most closely on the various dimensions of space (Candeias 2004, p. 76).

26. N. Brenner 1999, p. 43.

27. Lefebvre 1976, p. 83.

28. Schlögel 2006, pp. 60–71.

29. Giddens 1984, p. 363.

30. Candeias 2004, p. 64.

31. See N. Brenner 1999, pp. 50 et sq.

primacy. The global dimension does not nullify the local. The 'globalisation' of capitalism, in this context, can be understood more as a new configuration of overlapping and intersecting spaces than as the increasing primacy of global over national, regional, local, or urban space. In contrast to many theorists of globalisation who have been too quick to postulate the erosion of the state, I analyse the reconfiguration of national or individual state spheres in relation to other spatial dimensions. Because: beside individual capitals, there is no other institution than the individual state that, now as in the past, works to structure the various dimensions of space. It is individual states alone that were and are in a position to consolidate overlapping and intersecting spatial dimensions into a relatively stable model of *territorial organisation*. Already in the 1970s, Henri Lefebvre tried to capture this phenomenon with his concept of 'state space' [*espace étatique*].<sup>32</sup>

In order to substantiate this claim, it is necessary to understand the structure of capital movements. As Harvey emphasises, the exchange of and negotiation over goods and services in general implies a 'change of location'. This leads to 'frictional resistance' (due to the related transportation and shipping costs, for example). Consequently, spatial activities tend to concentrate themselves in specific places so as to minimise the losses due to the friction of distance.<sup>33</sup> It is precisely those technological innovations in the transportation and communications industries that play a key role in changes in the conditions of spatiality. Losses due to the friction of distance, by historical comparison, have been considerably reduced. In the end, the 'annihilation of space by time' is expedited insofar as it is possible to turn over capital quickly and thereby relieve the pressure to lower spatial barriers on at least a temporary basis. Capital accumulation thus leads to the *compression of space and time*.<sup>34</sup>

For Harvey, this issue is the central explanation for why corporations tend to inter- and trans-nationalise. The compression of time and space, however, produces a counter-tendency: the 'immobility' of sections of capital. Not only can a larger number of location changes lead successively to higher expenditures in order to reduce 'friction'. But also, and more important: through constantly changing location and searching for profitable investment opportunities, capitalist accumulation is increasingly *tied* to a socially produced, 'geographic infrastructure' that, in turn, relies directly on the formation of fixed capital. The resources for such fixed capital are provided in part by the state.<sup>35</sup>

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32. See Lefebvre 2003.

33. See Harvey 2003, pp. 94 et sq.

34. Marx 1973, p. 539.

35. See Harvey 1982, pp. 232–8, 395–405. 'Railways, roads, airports, port facilities, cable networks, fibre-optic systems, electricity grids, water and sewage systems, pipelines, etc., constitute "fixed capital embedded in the land" (as opposed to those forms of fixed capital, such as aircraft and machinery, that can be moved around). Such physical infrastructures absorb a lot of capital, the recovery of which depends upon their use *in situ*. Capital invested in a port facility to which no ships come will be lost. While fixed capital invested in the land facilitates spatial mobility for other forms of capital and labour, it demands that spatial interactions follow the fixed geographical patterning of its investments in order for its own value to be realized. The effect is for fixed

A prerequisite for capital's tendency to move toward the world market is that it is locally fixed. The spatially fixed organisation of capital is necessary to overcome spatial obstacles. In other words: 'Fluid movement *over* space can be achieved only by fixing certain physical infrastructures *in* space'.<sup>36</sup>

Since the late nineteenth century, capitalist development has nurtured the 'production of space' to an unprecedented extent – the production of institutions, technological apparatuses, organisational structures, etc. anchored in specific spaces. This process leads to the transformation of temporal, spatially bounded accumulation. Harvey introduces the term 'spatial fix' to capture the pattern of socially generated, spatial organisation and its related temporal dimension. In so doing, Harvey closely connects his analysis of the spatial economy to Marx's theory of crisis.<sup>37</sup> The necessity of a spatial fix in particular emerges from the attempts by capital to overcome its immanent tendency towards crisis through international geographic expansion and local-regional restructuring. According to Harvey, the contradictory dynamic of territorialisation, de-territorialisation and re-territorialisation has been at the heart of every crisis-driven restructuring since the 1820s. For him, a spatial fix is a central condition for the emergence of imperialist forms of politics.<sup>38</sup>

To understand the processes of territorialisation and re-territorialisation, there are two issues to keep in mind: *first*, the spatial organisation of diverse forms of capital with particular attention to the 'immobility' of fixed capital, and *second*, the need for capital to assimilate and integrate political authorities.

1. Capital's strategies for accumulation create various patterns with respect to their spatial arrangement. These patterns can be categorised (at extremely abstracted levels) into three forms: commodity capital, monetary capital, and productive capital. Their mobility manifests in distinct ways. Monetary and commodity capital are more mobile, each in its own way, than productive capital or even 'variable' capital (such as workforces). Historically, commodity capital was the first to internationalise, then monetary capital. Productive capital is the least mobile. It is easier to internationalise commodity flows than it is to relocate production. The ways in which capital manifests itself depend to

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capital embedded in the land – and this includes factories, offices, housing, hospitals, and schools as well as the capital embedded in transport and communications infrastructure – to act as a significant drag upon geographical transformations and the relocation of capitalist activity' (Harvey 2003, pp. 99–100).

36. Harvey 2003, p. 99 (original emphasis). With this point, Harvey is arguing against authors who underestimate the significance of space in their one-sided understanding of capitalism as a system of 'abstract forms of exchange' (see, as an example, Diner 1993, p. 28).

37. Harvey 1982, p. 415.

38. Jessop 2006, pp. 148–9. More recently, Harvey has used the term 'spatio-temporal fix' more exclusively. He writes that such a fix is 'a metaphor for a particular kind of solution to capitalist crises through temporal deferral and geographical expansion' (Harvey 2003, p. 115). What is new about the concept is that it opens an opportunity to undertake a periodisation of imperialism (Jessop 2006, p. 153).

different extents on political regulation: monetary capital has been able to obtain a greater independence from state intervention than commodity capital. Productive capital is typically more dependent on political regulation, the existence of an infrastructure, trained workforces, etc.

A substantial portion of productive capital is spatially fixed, or fixed capital. These component parts of capital are generally localised.<sup>39</sup> By investing monetary capital, this capital becomes fixed in production, and only flows back into circulation after a considerable temporal delay (in the form of write-downs, for example). As a rule, it remains productive capital until sufficient saleable commodities have been produced. In contrast to another component part of productive capital, so-called circulating capital, fixed capital is taken as a precondition for the production process over a longer period of time. The quantitative significance of territorially fixed means of production far exceeds the GDP of a given national economy.<sup>40</sup> With increasing technologisation (for example, the 'internet' or 'knowledge economy'), their significance does not decrease. Quite the contrary, the intensity of fixed capital (namely, gross fixed assets in relation to the number of employed workers) in fact often increases.<sup>41</sup>

2. With respect to spatial considerations, strategies for capital accumulation require considerable efforts to assimilate and integrate, which are also brought about through political regulation. The mobility of capital is always politically determined, for example by the development of various currency areas. In order to ensure a certain amount of predictability and security, economically integrated regions must guarantee a degree of structured coherence, which in turn depends on political and socio-cultural processes.<sup>42</sup> In this sense, at issue here is the provision of infrastructure, a well-trained labour force, the educational level of a given society and its general political stability.

But how do we explain the relationship between the national dimension and its global and local-regional counterparts? David Harvey suggests a close connection among these latter domains under the control and guidance of the national domain. However, he does not explain why the national domain is more important than the local-regional one, for example.<sup>43</sup> Lefebvre defines the meaning of 'state space' in a productive way. This space,

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39. This holds as well, even if paradoxically, for those sectors that function to help capital overcome spatial barriers more rapidly, such as transportation and communication infrastructure (see Harvey 1982, pp. 376–80).

40. According to the Federal Ministry for Statistics, Germany's gross fixed assets in 2003 stood at €10.7 billion in comparison to an annual GDP of some €2.2 billion (for comparison to other countries, see Gertler 1997; Storper and Walker 1989, pp. 70–100).

41. See Sandleben 2003, pp. 78–82.

42. Thus, both non-state collective actors and social or political movements must also be included in the analysis of spatial economy.

43. He does concede, however, that corporations manage their own networks and structure by relying on specific loyalties and attachments (for example, crony capitalism). Nevertheless, the 'preferred condition' for capitalist production remains the capitalist state (Harvey 2003, p. 91).

according to him, represents a decisive state instrument used to control social relations between individuals, groups, class fractions, and classes. In this way, the state itself can be understood as a socio-spatial configuration. 'State space' comprises three fundamental elements: a material, 'national-territorial' space, in which economic processes, among others take place; a 'social space' composed of the natural environment, institutional political configurations, and imaginaries; and a 'mental space', which the state creates in order to secure a social consensus and the legitimization of its actions.<sup>44</sup> 'According to Lefebvre, relatively consistent state organisational structures provide a geographic-institutional framework for the increasing spatial mobility of labour, commodities, and capital at both supra- and sub-national levels. States secure this territorialisation of capital in many ways, for example through the regulation of monetary policy, legislation, social benefits, and above all by creating a wider range of spatial configurations to serve specific productive forces. As Lefebvre... established, the territorial state can only undertake the task of managing space "on a large scale"'.<sup>45</sup>

Several important conclusions can be drawn from the previous discussion: processes of 'globalisation' lead to mutual interactions between the endemic drive towards compressions of space and time (de-territorialisation) and the continuous production of relatively fixed, temporarily stable configurations of organisations. And, again, we see that the individual state, because of its specific abilities to integrate and assimilate, is suited to the production and regulation of territorial fixes.<sup>46</sup> This context is indeed often ignored in contemporary discussions of globalisation, in two ways: on the one hand, the role that spatially fixed territorial organisations (such as urban centres, industrial clusters, and state regulatory facilities) play in forming the basis for international expansion is underestimated. On the other, many scholars misjudge how closely connected the current globalisation trend is to the transformations of territorial organisations at various 'sub-global' levels.<sup>47</sup>

Thus, the considerable acceleration of inter- and trans-nationalisation processes has not fundamentally changed in the last thirty years. Independent from the accelerated transit time of capital, territorialisation remains an inherent feature of capital.<sup>48</sup> As important as the financial system has become, it has changed only little in this respect since the 1980s: 'Even when the two forms [productive and monetary capital] appear as relatively decoupled, a concrete "spatio-temporal fix" is still necessary to allow for capital

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44. Lefebvre 2003, pp. 84–5.

45. N. Brenner 1997a, p. 10; compare Jessop 2002, p. 179.

46. The term 'glocalisation' suggests this combined process of internationalisation and local-territorial reconfiguration (see Swyngedouw 2004). Thus, one might think of a 'glocal' state (N. Brenner 1997a, p. 17).

47. See Swyngedouw 2004, pp. 35 et sq.

48. N. Brenner 1999, p. 63.

to be disembedded and to ensure its overall unencumbered mobility'.<sup>49</sup> Brenner uses the term 'multiple geographical scale' to describe what in fact has been transformed. The re-dimensioning of space leads to the increased formation of supra- and sub-national forms of territorial organisation.<sup>50</sup> What he is referring to, among other things, are economic blocs in North America and East Asia, and in particular the European Union, which earlier had been the only economic bloc to produce politically significant regulatory authorities. In this context, it is plausible to speak of a relativising of the national dimension: the historical institutional individuation of the political in the form of the nation state finds simultaneous expression on other spatial levels. New internationalised political structures (or extant ones that have since grown in significance) and new forms of cooperation in both private and civil society represent a spatial and functional diversification of political structures and processes that, if they achieve a certain relative coherence, can be considered as 'second order condensations' of societal power relations.<sup>51</sup>

Based on observations of the capitalist spatial economy and how globalisation has restructured it over the last twenty years, it is possible to formulate the following hypothesis: despite the re-articulation of various spatial levels, national space retains a privileged position, which correlates to the territorial fixedness of capital accumulation, in particular of productive capital; moreover, this privileged position depends to an enormous extent on political regulation. Insofar as the process of the re-articulation of space and of its regulation is transformed by 'many' collective actors into political 'state projects', and insofar as these re-articulations can fall into contrary positions vis-à-vis other state projects, then this broad process can only be better studied when it is considered in specific historical phases and in concrete historical constellations.

## 2. The dynamic of the global economic process of accumulation

### 2.1 *The inter- and trans-nationalisation of individual capitals, the world market/world economy, and the tendency towards crisis*

In this study, I adopt a global perspective to analyse the formation of a world market as the historical consequence of the capitalist mode of production having spread: 'The tendency to create the *world market* is directly given in the concept of capital itself. Every limit appears as a barrier to be overcome'.<sup>52</sup> The world market became increasingly expanded, if also discontinuous, due to the competition-driven need to constantly enhance and revolutionise productive forces. That is, the activities of individual capitals inter- and trans-nationalise in uneven ways through a process that is driven by the

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49. Jessop 2000, p. 347.

50. N. Brenner 1999, p. 52; compare N. Brenner 2004, pp. 448 et sq.

51. Brand 2006, pp. 206 et sq.

52. Marx 1973, p. 408.



tendency of both capitalist societies and capital itself to enter into crisis.<sup>53</sup> As I elaborate below, from this perspective it is possible to define various phases in the development of the global economy that have altered considerably the conditions under which corporations, diverse fractions of capital, and their relation to individual states have operated.

The actually existing *world market* or *world economy* has no central leading authority.<sup>54</sup> The world market emerges from the interaction of a vast number of factors; indeed, competition over promising investments takes place in local, regional, and super-regional centres. However, international economic pressures nevertheless have an impact on a wide range of corporations, both larger and small, and labour markets, typically through intermediaries such as transnational corporations, international political institutions, and the policies of powerful states. In this sense, the world market takes on an internationally consequential magnitude and imposes considerable pressures to act [*Handlungszwänge*].<sup>55</sup>

One defining characteristic of the global economy is its instability. There is no harmonious form to the international economy; rather, it generates permanent uncertainty. Economic dynamics, the pressure for expanded reproduction, and so on can mutate into economic crises: 'The aggregate effect is . . . that capitalism perpetually seeks to create a geographic landscape to facilitate its activities at one point in time only to have to destroy and build a wholly different landscape at a later point in time to accommodate its perpetual thirst for endless capital accumulation. Thus is the history of creative destruction written into the landscape of the actual historical geography of capital accumulation'.<sup>56</sup>

In the following discussion, I address the crisis-prone dynamic of capitalism in relation to the destabilising and re-stabilising functions of its international economic and political relations. International economic crises, I argue, exert an important influence on international relations of competition and hegemony, and should thus be part of analysing geopolitics.

Socio-economic crises can be understood generally as a decisive break in the daily routine – as an extreme, partly existential destabilisation. From the perspective of capitalist rationality, crises create situations that sharply constrain the spatio-temporal horizon for 'rational' action and thus allow for 'irrational actions'. The typical 'herd

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53. Busch 1974, pp. 96–7; Bryan, 1995.

54. For a discussion of this comprehensive terminology, see Ashman 2006. Bukharin had already distinguished the term *world market* from *world economy*. By world market, he refers specifically to the sphere of circulation. Bukharin sees global relations of production as hidden within these market and exchange relations. Taken together, both component parts form the world economy. He defines this as 'a system of production relations and, correspondingly, of exchange relations on a world scale' (Bukharin 1966, p. 26).

55. At the same time, the world market can be conceived to a certain extent as a 'non-institutionalised institution', because it 'cannot be located in clear and distinct institutions. It does not possess any readily comprehensible procedure. There is no constitutional text with corresponding legitimisation processes to be found' (Narr and Schubert 1994, p. 24).

56. Harvey 2003, p. 101.



mentality' of financial markets is only one factor in this tendency: it functions to sharpen the crisis insofar as corporate actions come into direct contradiction with what the national economy needs in order to overcome the crisis in the first place. The great 'crises' of the 1870s, 1930s and the 1970s, in particular, called the entire social fabric, the system of regulation, into question.<sup>57</sup>

In order to examine the implications of capitalist crises for international power relations, it is necessary to consider individual 'national' systems of accumulation and to work from the perspective of the global economy simultaneously. The actual unity of the world economy develops both with and against individual national economies. Consequently, using a nation-state orientation to conceptualise the history of capitalism as a succession of institutionally determined, nationally located paths to development must be seen as problematic. National régimes of accumulation and regulatory institutions are connected in multiple ways to international competition (and to inter- and transnational politics). National entities do not exist separately side-by-side, but rather are connected and at times combined to varying degrees by commodity and capital flows.<sup>58</sup> Even when innovations at a national level have proven to be very important for the development of productive forces, they are still governed by international competitive pressures. In particular, the fact that the 'great' crises of the 1870s, 1930s, and 1970s shared a relatively general character *despite* taking place under various socio-economic, political, and cultural conditions suggests this particular relationship.

As Robert Brenner and Mark Glick note, one characteristic of the modern international economy is that its constitutive local, regional, and national elements have passed through the same economic phases of growth at roughly the same time – despite the immense differences in the systems of social property relations, forms of regulation and governance, economic institutions, and the respective state of technological development. With some exceptions, this holds as well for the notable phases of economic expansion before 1914, the relative expansion in the mid-1920s and later the deep crisis in the early 1930s, the greatest expansion in the history of capitalism after 1945, as well as the trends towards stagnation and weaker growth in many OECD countries from the 1970s on.<sup>59</sup>

If we start with the assumption that 'crises in the world market' should be understood as 'the real concentration and forcible adjustment of all the contradictions of bourgeois economy', then for the purposes of my study, an analysis is needed that refers to a number of possible sources of crisis.<sup>60</sup> The reality of both large and small crises must be analysed in terms of the actual movement of capitalist production in its entirety. By conceiving of capitalism as a process of production, consumption, and distribution (and the

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57. Hirsch 2005, pp. 108–14.

58. The accumulation régime of an internationally hegemonic state can substantially shape the 'production and consumption norms' of other states (see Aglietta 1979).

59. Brenner and Glick 1991, p. 112.

60. Marx 2000, p. 510.

significance of the institutional embeddedness of each of these processes), we can thus see fundamental contradictions within capitalist accumulation more clearly. Historically, these appear as *crises of overaccumulation*, *underconsumption*, and *disproportionality*.<sup>61</sup>

Ironically, those theories of imperialism that attempt to integrate a theory of crisis often do not thoroughly discuss the various components involved in analysing the crisis. While classical Marxist theories of imperialism rely too much on theories of capitalist collapse (for example, Luxemburg) or of disproportionalities (for example, Lenin), crisis theory as such plays a subordinated role in later analyses of imperialism. The task is thus to work out an economic analysis of crisis that distinguishes between both a conception of crisis as collapse and an understanding of crisis as just another moment in the cyclical balancing process. Harvey's theory of 'spatio-temporal fixes' and the trends of overaccumulation offers an approach that can be taken up critically.<sup>62</sup> To start, Harvey suggests additional steps in order to better approximate complex reality. In a second step, he discusses the role of credit and the finance markets.<sup>63</sup> Both can temporarily absorb overaccumulated capital (and thereby attenuate, delay, or spatially displace the crisis), but they can also increase the likelihood of crisis itself. In a third step, Harvey integrates *uneven geographical development* with the *temporal* dynamic of capital accumulation and its mediation of monetary and finance markets.<sup>64</sup> At issue here is the feasibility of

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61. Following Marx, one should attempt to locate the barriers to capital accumulation in the sphere of production. To do this, an orientation on the most important goal of capitalist production is important, namely the realisation of the highest possible rate of profit. For an individual capital, profit rates serve as a measure of its valorisation. The rise and fall of profit rates is thus like a seismograph of capitalist development. Marx's supposition of the tendency of the average rate of profit to fall in relation to its countertendencies is a reasonable starting point in the discussion of a fundamental tendency of capitalism towards crisis. If this crisis-proneness is explained in terms of the contradictory interaction of tendencies and countertendencies, the idea is not then to claim that crisis happens automatically, but rather that crisis must be considered in historical-empirical terms (see Harman 1999a; Harvey 1982). Even if the tendency towards the increased concentration of capital (namely, high capital expenditures per workplace) has functioned historically as a root of crisis, determining the concrete causes and manifestations of crisis requires including additional crisis mechanisms. In modern economies, for example, the problem of realising existing surplus value as profit has played a decisive role. It appears time and again as the absence of demand. Nevertheless, constraints on consumption cannot only be understood (in classical terms of underconsumption theory) as the limited solvency of working-class demand. Collective demand does not only consist of demand for consumer goods. Rather, it can also be 'constrained' by meagre demand for investment goods, as happens when corporations anticipate a low rate of profit (see Deutschmann 1973, pp. 161 et sq.). In this way, it is possible to arrive at an 'overaccumulation' of capital, that is, too much capital stands before too many unprofitable investments. On the level of the market, still other factors come into play, for example disproportionalities between and within individual economic sectors. The 'anarchy' of the market leads to a situation in which capital once again produces too many goods in relation to liquid demand for those goods (that is, a crisis of overproduction). On the crisis-proneness in the credit and finance sectors, see Heinrich 2003a, pp. 367 et sq. In reality, it is the unity of economic, political, and ideological crisis that produces the truly 'great' crisis.

62. See Harvey 1982, pp. 156–203.

63. Harvey 1982, pp. 324–9.

64. Harvey 1982, pp. 424–38.

geographical expansion, spatial reorganisation of capital surpluses, and political regulatory constellations. Uneven spatial developments determine in which areas devaluation takes hold and into which regions capital investments flow. On this level, Harvey's theory of 'spatial production' applies the organisation of new territorial divisions of labour (which is often state financed or even state led) and the development of new resources and dynamic spaces for capital accumulation. In so doing, surplus capital and labour forces can be fixed and controlled in new ways.<sup>65</sup> Because different states are involved, geopolitical conflicts are inscribed into this complex dynamic.<sup>66</sup>

This crisis-prone dynamic of capital accumulation results in a number of strategies to resolve the contradictions it produces, including: relocating surplus capital in the form of long-term investments in projects or sectors (such as research) that yield profits only after a specific amount of time; investing capital in forms such as state arms production; technologically revolutionising the production process to lower costs, which can be facilitated by creating cheaper supplies of raw goods, for example; and using the framework of interstate trade processes to relocate capital to newly developed production sites and markets. Capital expansion proceeds on the one hand internally and on the other externally. The internal 'colonisation' can also be an effective form of anti-crisis policy. So can 'external expansion', as long as new markets can be opened up or overcapacity can be decreased.<sup>67</sup>

### 3. The dynamic of the international state system

Within a GPE framework, I place considerable emphasis on the significance of individual territorial states. The following section presents a general explanation of the causes behind the continuity of multiple states within global capitalism. I then use the case of emergent international political institutions to discuss the internationalisation of the 'political' and to assess the relevance of an analysis that assumes the existence of 'many' states.

#### 3.1 *Multi-statehood as a structural characteristic of capitalism in space and time*

The current doctrine positing a fundamental transformation of modern statehood rests on the assumption that the international system of states has either decreased in significance or is thoroughly irrelevant. Accordingly, if the problems in the old 'national constellation' were largely national in scope, then today those problems are transnational; if these national problems were once the province of 'nation state governance',

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65. With this kind of approach, it is also important to integrate social relations to nature into an analysis of socio-economic crises.

66. Harvey 1982, pp. 439–45.

67. Hirsch 2005, p. 174.

then that governance today is supranational; if the state has generally drawn its internal legitimacy in the past from a national society, then today these legitimisation processes are transnational. By historical comparison, this process of transformation has been 'as fundamental... as the transition from the feudal order to the system of territorially defined national states'.<sup>68</sup> According to this dominant school of thought, globalisation processes have worked to increasingly dismantle national political formations and to change their character. A common interest in problem-solving thus becomes an increasingly decisive factor in world politics within the 'post-national constellation'.<sup>69</sup>

There are a number of reasons to argue in response that these strong globalisation theories often exaggerate the contemporary processes of inter- and transnationalisation. Such exaggeration is directly related to an inaccurate characterisation of the world of nation states before the 1970s as 'impervious'; that is, the overgeneralisation of the former is in part the product of the overemphasis of the latter. As I have already suggested, my theoretical starting point is the political fragmentation of space, and the plurality of *individual* states as the institutionalised expression of that space, which does not necessarily have to lead to the contemporary situation of a world broken up into *national* states, but rather is a specific formation that requires historical analysis. The general neglect of this fact, namely that 'the very definition of the state as a delimited territory suggests a further set of "political" relations between this state and other states – that is, *geopolitics*', is one of the central weaknesses of contemporary globalisation discourse.<sup>70</sup>

Even if the hype over globalisation has subsided since 2001, inadequate analyses continue to predominate.<sup>71</sup> The heterogeneous consequences of globalisation in various regions of the world are seldom distinguished from one another. What is so often missing is an analysis that differentiates between those developments that weaken the individual state and those that tend to strengthen it. Absent as well is analysis of the trends to relocate regulatory mechanisms to inter-, supra- or transnational levels, trends

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68. Zürn 2002, p. 215.

69. Such notions find support, for example, in the 'cosmopolitan realism' of the sociologist Ulrich Beck: 'Because states want to survive, they must work together... It is not rivalry, but rather cooperation that maximises the national interest' (Beck 2004, p. 265). And: colonialism and imperialism 'are not only anti-cosmopolitan... but rather also anti-economic. With economic globalisation, the civilising power of "pacifist capitalism" grows as well' (Beck 2003, pp. 238–9). Similar arguments, if also somewhat less idealistic, are made by Jürgen Habermas, who championed the concept of a politically defined 'world citizenship' in the 1990s. With this concept he anticipated the willingness of state power to tackle transnational problems with the help of a 'world domestic policy'. The biggest states must be willing to 'broaden their individual preferences into a "global governance"' (Habermas 2001, p. 55; compare Habermas 1996; Held 2002; Held and McGraw 2002b; for a critique of this 'democratic-cosmopolitan' model see Smith 2006, pp. 127–62).

70. Mann 1993, p. 56 (original emphasis).

71. For example, the term *world society* is handled in relatively uncritical ways (see the majority of contributions to Heintz, Münch, and Tyrell 2005). Most recently, the well-known social constructivist Alexander Wendt has distinguished himself with the assertion that the formation of a 'world state' in the next 100 to 200 years is imminent (Wendt 2003, pp. 491 et sq.) His theory is, as he himself writes, 'teleological'.

that simultaneously reinvigorate the nation state and transnationalism or that increase the importance of special local levels.

A number of arguments rooted in the ongoing plurality of individual states stand in contrast to the current globalisation doctrine. Some theorists from the neo-Weberian tradition, such as Michael Mann, explain this in terms of the internal momentum of political and military networks of power.<sup>72</sup> From this perspective, global capitalism presents too many breaks and differences of a political nature to allow for a post-state, transnationally integrated system. Other theorists from the Marxist tradition assume a sort of mutual interaction between the nation state and globalisation. According to Ellen Meiksins Wood, for example, if capitalism at one time had developed in national forms, and if it had been imitated in other nationally organised processes, then the system reproduces itself over and over again: 'The inevitably uneven development of separate, if related, national entities, especially when subject to imperatives of competition, virtually guaranteed the persistence of national forms'.<sup>73</sup> Here, the argument is the interstate system continues because of the failure of supra- or transnational organisations to regulate the contradictions of capitalism with any degree of success:

[N]o transnational organization has come close to assuming the indispensable functions of the nation state in maintaining the system of property and social order, least of all the function of coercion that underlies all others. No conceivable form of 'global governance' could provide the kind of daily regularity or the conditions of accumulation that capital needs. The world today, in fact, is more than ever a world of nation states. The political form of globalization is, again, not a global state but a global system of multiple local states, structured in a complex relation of domination and subordination.<sup>74</sup>

Even those individual capitals that mostly act 'transnationally' profit from the political fragmentation of space, because, in this way, the inequality of capitalist development (for example, uneven working conditions and wage costs) are upheld.

Scholars of nationalism such as Ernest Gellner or Benedict Anderson raise a related argument that the 'national form' alone is able to secure the social coherence within societies required to survive within a dynamic and crisis-prone world system. Both the nation and nationalist movements play a powerful role as an 'imagined community' that continues to be relevant despite all the tendencies towards globalisation.<sup>75</sup> These authors explain how the national form has been able to assert itself over other forms (for example, the political-commercial city states such as the Hansa) in the history of the last 300 years, and how they maintain an enormous legitimacy to this very day – as 'the most universally legitimate value in the political life of our time'.<sup>76</sup> In and of itself,

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72. Mann 1986, p. 2.

73. Wood 2002, p. 24; compare Lacher 2002, and 2005.

74. Wood 2003, pp. 19–20.

75. Anderson 1991; Gellner 1983, and 1997; and Balibar 1990.

76. Anderson 1991, p. 3.

the globalisation of capitalist relations constantly places the notion of homogeneous 'nations' in question. At the same time, however, a typical form of *individualisation* is distinct to capitalist society, because it has the tendency to undermine and further to revolutionise those very social relations, traditional cultural features, and common orientations that make society possible and able to survive in the first place. The feeling of insecurity, the challenge of social integration, these belong to the foundational characteristics of capitalism.<sup>77</sup> The modern nation and modern nationalism constitute a domain in which social solidarity can be symbolically defined and re-motivated:

This occurs through the power-based generation of commonalities and traditions that go beyond local and particular relations. These commonalities are necessary and help to draw the boundaries between, and thus define, what is foreign, external, and extraterritorial. Despite the fact that capitalist society is individualised, fragmented, and torn apart by social contradictions, this notion of nationality can help capitalist society to realise itself as a definable and logical coherence, that is, as an entity. In the consciousness of its members, then, capitalist society obtains contours, commonalities, and borders, and provides individuals an ostensible place in space and time; it transmits a feeling of belonging and of existential security.<sup>78</sup>

It is thus too narrow to analyse the persistence of multiple individual territorial states 'merely' as the historical product of capitalism having emerged from and consolidated itself based on an existing precapitalist interstate system. Joachim Hirsch attempts to move beyond this level of explanation. According to him, we can only consider the possibility of a world state if we incorrectly assume that capitalism is based on a simple social relation of commodity exchange, and not on exploitation and class contradictions. His argument makes reference to Claudia von Braunmühl, who emphasised already in the 1970s that the 'political factor of dominance... is contained in the economic relations of violence between wage labour and capital itself'.<sup>79</sup> The idea, essentially a liberal one, that the system of individual and competing states could be eliminated within the framework of capitalism is mistaken, according to Hirsch. Otherwise, the institutions that maintain class rule would also have to be eliminated: 'The reason that the multiplicity of states represents a *constitutive* feature of capitalism and not just an historically accidental phenomenon lies in the fact that the social contradictions and antagonisms within the capitalist mode of society, that is, the class antagonisms and competition, are not only expressed in the "individuation" of states over and against society, but also in the competition between states. The system of states is a structural expression of

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77. The need for identity still does not explain the existence of national divisions. They are artificial, but can still provide a certain expression for the need for identity. Identity beyond nations, though, is thoroughly conceivable.

78. Hirsch 2005, p. 68.

79. Von Braunmühl 1976, p. 319.

capitalist class and competitive relations'.<sup>80</sup> Without the individual state, the fundamental mechanisms of balancing conflicts both within and between classes would no longer be ensured.<sup>81</sup> Without 'national' class divisions, the modes of integration essential to capitalism would fall away. When class antagonists – wagedworkers, employers, and other groups alike – are organised and integrated at the national level and are brought into conflict with their respective counterparts outside the state's territory, then the prospects for continuously successful capital accumulation increase.

The individuation of the state, according to Hirsch, is the 'decisive basis of the "state fetish", that is, of the conception that the state embodies a "collective will" that goes beyond social relations of inequality, exploitation and dominance. It is thus crucial that the implementation and maintenance of this form presupposes the demarcation of individual states, each with its own institutionalised class relations and compromises, from one another. In a global state, this would not be possible and the state fetish could not function efficiently, whereby the decisive foundation for legitimatising existing classes would not apply'.<sup>82</sup>

Hirsch thus justifies the need for multiple states in relation to horizontal *and* vertical social conflicts, whereby he emphasises the significance of 'vertical' class antagonisms in explaining the perseverance of many states more than, for example, David Harvey or Henri Lefebvre, who, as described above, tend rather to stress 'horizontal' competitive relations between capitals and the related spatial fix of capital, especially of productive capital, as the foundation for the ongoing existence of individual states. From my perspective, the two arguments can be brought together and complemented with a theory of *structural interdependence* between the 'economic' and the 'political'. The formation of cross-class coalitions so as to ensure the 'local' is absolutely central for securing capitalist relations. The *coherence* that is thus required, that is, the formation of imagined communities, for the time being is best conceivable in the context of the individual state or in current efforts at macro-regional state integration (even if such efforts are difficult to realise). At the same time, spatio-temporal fixes of capital place significant demands on respective state regulatory apparatuses, which attempt to ensure constant capital accumulation on an independent basis. It would thus be short-sighted to conclude that the international state system is disappearing based on the inter- and transnationalisation of the economy and (in part) of class relations.<sup>83</sup>

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80. Hirsch 2005, p. 59; compare Görg 2002, pp. 289 et sq.

81. Hirst and Thompson 2002, pp. 222–3.

82. Hirsch 2005, p. 59.

83. Scholars in the tradition of actor-centred institutionalism arrive at a theoretical conclusion similar to mine: even if, from the beginning, 'modernity' has, to a certain extent, been a 'world society', its reproduction as a functionally differentiated entity can only be only through a 'segmented, differentiated plurality' of 'national societies' (Schimank 2005).



### 3.2 *International political institutions: The 'rights of the strong' and 'second-order condensations'*

Broad aspects of (intra-)societal life today are state regulated and governed. Within individual societies, reference is typically made to state apparatuses – or in more advanced analyses, the 'expanded' state, such as aspects of civil society – as the key levers in producing law, order, and successful capital accumulation. Less often studied is the question of how law, order, and guarantees for smooth accumulation processes extend to the international or inter-societal level, where individual territorial states and other social forces interact, cooperate, *and* collide.

In order to understand 'international politics', I introduce two dimensions in the following discussion, namely the characteristic and distinguishing features of *inter*-societal relations and *intra*-societal relations, and how they interact: on the one hand, there is a dimension of 'insecurity', of 'anarchy' in which the rights of stronger powers obtain; on the other, the cooperative, international (diplomatic) actions of representatives of nation states and the (historically late) emergence of some 'compressed' international political institutions, which guarantee to a certain degree a functioning world economy and the coexistence of many individual states.<sup>84</sup>

We can better understand the international level by looking closely at a specific form of law, one that is often considered nowadays to be outdated or even criminal: the 'right of the stronger', which we can understand essentially as self-help and self-defence.<sup>85</sup> That which has become almost obsolete within (stable) states is more applicable to the relations *between* states. The fundamental right to equality on the international level is based overall on the so-called fundamental right to respect. Yet, the rule of the stronger was and is an essential aspect of inter-societal interaction. Power and influence within international organisations depend on this in crucial ways. Military strength, for example, is qualified in IR theories as 'discrete background information' on power relations.<sup>86</sup> As a result, a different form of 'rationality' dominates in foreign policy. Diplomacy as a domain of foreign policy workings is considered with good reason to be a far less regulated, routinised, and predictable activity than that within intra-societal institutions.

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84. See ten Brink 2007.

85. 'All the bourgeois economists are aware of is that production can be carried on better under the modern police than e.g. on the principle of might makes right. They forget only that this principle is also a legal relation, and that the right of the stronger prevails in their "constitutional republics" as well, only in another form'. (Marx 1973, p. 88)

The sanctity of contracts that is so characteristic of capitalism (Sombart 1922, pp. 31 et sq.) is only relative. An open conflict over a contract can always escalate to 'violence' in order to assert one's own interpretation of the contract (or what is assumed to be the contract breach). Today, the right to self-defence can be designated as a holdover of the right of the stronger. With the rise of private security forces, this right appears again in a new form in social processes of crisis, or even the collapse of entire states, such that we can say that this right never fully disappeared in the first place.

86. Müller and Schöring 2006, p. 15.



A critical theory of international relations must be able to account for these anarchic and asymmetrical relations without falling into the simplifications of neorealism.<sup>87</sup> The fact that the neorealist school, as the proponent of the theory of anarchy, continues to hold considerable influence in the United States and elsewhere despite multiple predictions to the contrary is not only explained by the financial and intellectual influence of its proponents and mentors, but also reflects the continued potency of interstate conflicts. Therefore, the sort of constructivist, *normative critique* of neorealism that is so characteristic of 'German' international relations is inadequate.<sup>88</sup> But, even if we clarify the problem of a theory being 'one-sided' or 'insufficiently complex', we still have not addressed the question of whether the theory accurately conceptualises essential aspects of international reality in the first place. As Gopal Balakrishnan establishes: 'Realism is the spontaneous representation of this field from the perspective of the outwardly turned apparatus that embodies the entire state in its relations to other states. However fictional this representation, it is an objectively operative function'.<sup>89</sup> And Rosenberg adds:

Let us therefore give the Realists their due. [The] phrase 'anarchical society' would capture this very well if it did not bring the usual baggage of reification with it. . . . And it has been the great failure of earlier critiques of realism, (my own included), that they have generally proceeded by trying to downplay, gainsay or even wish away this strategic dimension, rather than by capturing and decoding its contents within a genuinely sociological definition of 'the international'. In this respect, in fact, the Realists have been keepers of the seal of 'the international' – even if they have also, to the enduring frustration of their critics, kept it sealed away.<sup>90</sup>

In the last few decades, the scope and intensity with which international and supranational institutions operate worldwide have led to a theory of international relations that sees them as ever more legalistic, institutionalised, civilised, and harmonious.<sup>91</sup> To approach this theory critically, I integrate the results of several neo-institutionalist and neo-Marxist studies from the field of international relations into a more general perspective on the world order that I hold, in which the right of the stronger and international or inter-societal anarchy each play a central role.

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87. See Hobson and Sharman 2005.

88. Reinhard Wolf argues that the political turning point in foreign policy after 2001, especially in the US, constitutes perhaps the greatest blind spot in the influential German *Journal of International Relations*, because the shift 'apparently doesn't fit the theoretical expectations' of most of its authors (Wolf 2004, p. 315). In one essay, Zürn speaks of a 're-realisation' of international politics and warns that 'power-political limits of institutionalist and liberal theories' cannot be overlooked (Zürn 2003, pp. 34–5).

89. Balakrishnan 2004, p. 159.

90. Rosenberg 2006, p. 324.

91. See Albrow 1998; Beck 1998; Rosecrance 2001.

In order to analyse the formation and consolidation of *inter- and partly supranational political institutions*,<sup>92</sup> the relatively independent dynamic of each must be taken into consideration. By making that one analytical move alone, one comes into immediate conflict with the dominant neorealist position that these institutions simply reflect the international distribution of power.<sup>93</sup> In a first analytical step, *political institutions* can be conceived of as an expression of fundamental social structures and the actors that manoeuvre within them.<sup>94</sup> Institutions are understood as rules and resources for action that are continually reproduced, and as socially acceptable and relatively stable models of social interaction. Institutions generate rules for behaviour through social norms, legal regulations, and administrative procedures used to distribute power and cultural resources. Social patterns of action that are institutionalised are thus able to allow or preclude certain forms of social action.<sup>95</sup> The goals of institutions are to create stable, reciprocal expectations for action and to facilitate cooperative relations. Because institutions work to *stabilise expectations*, they help expand the scope of social action. Institutions thus extend current constellations further into the future.<sup>96</sup> At the same time, institutions are not merely created as arenas in which to act, but rather react back as well in constitutive ways on actors and structures. For the question this study poses, it is essential to examine specifically *political* institutions. Because they are created internationally, for example by means of intergovernmental agreements, they can be differentiated from other kinds of *social* institutions.

For example, with respect to the relations between states, the following question arises: what impact does the growing significance of international political institutions have on the relationship between or the articulation of international or inter-societal conflicts and cooperation? To address that question, it is first important to establish that modern states indeed have emerged from a context of mutual conflicts, but they nevertheless had to subordinate themselves rather quickly to certain pressures of *conflict regulation* – for example, the recognition of external ‘sovereignty’ or diplomatic immunity.<sup>97</sup> In the nineteenth and twentieth centuries, a series of domains of interstate regulation emerged to serve private economic interests, for example in international

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92. New kinds of *supra-nationalism* can be distinguished from classical *inter-governmental* designations, in which the interactions of sovereign states ‘only’ led to the *delegation* of power to international institutions. To guard against an exaggerated view that supranational politics plays out just beyond the level of individual state structures, one might consider *trans-governmentalism* (see Knodt and Jachtenfuchs 2002).

93. In the German context, see Link 1999, p. 106.

94. Neo-institutionalist perspectives assess the degree of autonomy within organisations differently from the role of power, interests, and strategic action within institutions. Consequently, the term ‘institution’ is criticised as ‘theoretically amorphous’ (Lepsius 1995, p. 394; see Fuchs 1999).

95. Zintl 1999, pp. 179 et sq.

96. See Giddens 1984.

97. Giddens 1987, pp. 255–93. In fact, states under capitalism have always acted internationally and thus have erected structures with which the internationalisation of capital would have been able to function (see Picciotto 1993).

economic trade. Already before 1914, there existed a series of interstate conventions and institutions that attempted to establish specific international norms. Nevertheless, the number of international political institutions grew considerably after 1945, from which we can infer a heightened interest in cooperation among the strong states.<sup>98</sup>

One well-known typology identifies four current forms of international political institutions.<sup>99</sup> First are international *organisations*: They are institutions in a position to take action simultaneously in multiple 'problem areas' of international politics (such as the UN, EU, WTO, NATO, but also within civil society, such as Greenpeace or Oxfam). The second form comprises international *régimes*: through content and procedural norms and rules, they regulate behaviour within a 'problem area', without themselves possessing an 'agentive quality' (such as the former GATT, the human rights régime of the UN, or the disarmament régime between the US and the USSR). Third, international *networks* are located on a level below that of régimes, because while they indeed encompass norms and rules, they do so in ways that are non-binding (such as the G8 summits or the World Economic Forum). Fourth, international *organising principles* can also be designated as institutions and seen as foundational norms that govern international politics (such as the recognition of state sovereignty or UN human rights declarations).

In connection with this categorisation, Zürn and Zangl develop a theory of a new 'post-national constellation'.<sup>100</sup> According to them, the growing significance of international institutions has changed the character of policy formation by increasingly disconnecting the policy-making process from the national level. In this way, the globalisation process has at the very least called into question the material resource base for policy formation, which hitherto has been so closely tied to the national level. In addition, the sovereignty or legitimacy of each government today is assessed by means of international rules and norms. Zürn and Zangl assume a 'transnationalisation of security problems' in which the most important actors attempt to respond within the framework of a general 'supranational' governance of security relations.<sup>101</sup>

This theory of a 'post-national constellation' has been criticised by Ulrich Brand, among others, who attempts to develop a neo-Marxist or neo-Poulantzian conception of international politics. In contrast to the globalisation optimists, Brand understands international political institutions as material compressions or condensations of power relations. They thus cannot be understood simply as a direct expression of social power relations. For Brand, condensations are much more *concentrations*, that is, social formations with their own materiality that perform a stabilising function and possess a certain degree of longevity. From this perspective, international political institutions are compressions of conflicting interests that are only partially bound by compromise. Because

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98. See Rittberger and Zangl 2003.

99. Zürn and Zangl 2003, pp. 88–9.

100. Zürn and Zangl 2003, p. 170.

101. Zürn and Zangl 2003, pp. 206–45.

these interests are built in turn on the condensation of power relations at the level of the nation-state, they thus represent a 'second order condensation of power relations'.<sup>102</sup>

These considerations help to avoid conceptualising the relation between national and international processes in an overly dichotomous way, as I raised in the above discussion about the 'international'.<sup>103</sup> In this way, Brand follows Poulantzas who had already spoken of a 'dialectical' relation between the 'internal' and 'external':

[W]e have to break once and for all with a mechanistic and almost topological (if not 'geographical') conception of the relation between internal and external factors. In the present phase of imperialism there is really no such thing as external factors on the one hand, acting purely from 'outside', and opposed to internal factors 'isolated' in their own 'space' and outclassing the others. If we maintain the primacy of internal factors, we simply mean that those coordinates of the imperialist chain that are 'external' to a country – the global balance of forces, the role of a particular great power, etc. – only act on the country in question by way of their internalisation, i.e. by their articulation to its own specific contradictions. But these contradictions themselves, in certain aspects, represent the induced reproduction of the contradictions of the imperialist chain within the various individual countries.<sup>104</sup>

The 'internalisation' of developments that take place outside of nation states is not only an important connection point for the compression of *national* power relations. But also, they work the other way around, and have an impact upon the *international* level as well:

With the metaphor of a 'second order' condensation of societal power relations, the international level is indeed intended, but not hierarchically as international over national politics or vice versa. Instead, particular interests in national states are compressed into a set of politics oriented on general interests (that is, a 'first order' condensation). These compressed power constellations express themselves in the sense of pursuing 'general' or 'national' interests. They need not be directed against other states per se, but rather can be cooperative and/or orient themselves on dealing with world problems. These

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102. Brand 2006, pp. 266 et sq.

103. This should also hold for the domain of *state sovereignty*. The concept of sovereignty refers to the possibility to exercise power without relying on law and morality as a legitimising foundation. The unconditional acceptance of state sovereignty is challenged, for example, by justifying humanitarian interventions on account of 'human rights violations' perpetrated within a given state. The institutions of 'global governance', such as the G8, the UN Security Council or the WTO, suggest that sovereignty can adopt hybrid forms, and that state actions can no longer derive legitimacy on the basis of respective national constitutions alone, but rather by authority of international institutions and their norms. In this way we see how the forms of state sovereignty can transform themselves. Of course, states were never really sovereign to begin with; rather, the leeway for state actions has always been constrained and pressured by both internal and external factors. 'External' and 'domestic' were never so clearly distinctive, as strong versions of globalisation theory imply. Strong states have always had political influence on the governance of small states.

104. Poulantzas 1976, p. 21.

interests, value judgments, and identities, each of which are represented on the international level and are thoroughly situationally malleable, encounter other 'national interests' (which include identities and norms) and non-state particular interests on the international terrain. In so doing, specific strategies or even more elaborate projects of individual states, state groups, or more complex alliances are formed.<sup>105</sup>

For this reason, international political institutions can be considered as 'strategic fields' in which state (and non-state) actors struggle to strengthen or stabilise their positions. In this way they are linked to national power relations and economic developments: 'Contingent on their constitution as "second order" compressed power relations, international political institutions do not act autonomously or as neutral players standing over nation-states'.<sup>106</sup> As part of the 'internationalised state', international political institutions thus do not possess their own 'autonomous power, but rather strategic capacities that allow for their existence on the one hand and for specific policies on the other'.<sup>107</sup>

It would help to briefly illustrate this theory with the example of the World Trade Organization. This international organisation has developed a particular centre of gravity and a relative (supranational) independence, which places it especially, but not exclusively in a dominant position with respect to weak states.<sup>108</sup> On the one hand, the WTO is a fitting example of international institutions increasingly mediating the ways in which internationalising individual capitals and internationally oriented states formulate a given policy. On the other, this same policy can stand in contradiction to institutionalised relations of social class *and* accumulation within individual societies.<sup>109</sup> In this way, we see how multiple socio-spatial levels of politics can find themselves in a structural relation of competition.<sup>110</sup> Thus, we can assume that various individual state spaces

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105. Brand 2006, p. 267. In this study, I see *national interests* as existing in principle, but at the same time always also subjectively perceived. There exists a tension between inter- and intra-societal state parameters, and the interpretations and political strategies of state organs that accommodate for these parameters. Within certain limits, acting players still reserve the right to determine how they will interpret how much leeway they have in which to act and how to expand it.

106. Brand 2006, p. 282.

107. Brand 2006, p. 283.

108. In his study, Jens Wissel arrives at this conclusion: 'There is an expansion of access to the WTO, which on the one hand minimises the dependency of the organisation on states operating within the WTO, but also on the other subjects it to the influence of resource-rich private actors, especially those of transnationally oriented corporations. The process by which disputes are settled gains a certain independence, and there exists an independent development of law that is not immediately subject to the influence of powerful states or powerful corporate representatives. If one considers the entire WTO regime, one can conclude that the flexible way in which the regime incorporates members, the corresponding selectivity, and the structural power relations operating within it have thus far not allowed for a stable institutional structure to develop' (Wissel 2007, p. 186).

109. This holds today especially at the 'macro-regional' level. *Regional trade agreements* are the most important exception that the WTO allows to the rule of 'non-discrimination', which stipulates that the trade preferences one member state grants to another must be extended to all WTO member states (Ravenhill 2005, pp. 117 et sq.).

110. Gritsch 2005, p. 10.

(at least those of stronger states) continue to remain a central domain in which power elites act – even if the processes of inter- and trans-nationalisation and the significance of the WTO were to intensify. Appreciating the importance of the international level is not a zero-sum game in which the international level becomes more significant ‘at the cost’ of the national level.<sup>111</sup> In contrast to theoretical approaches based on harmonisation, it should be stressed that the existence of various regulatory systems and orientations for implementing one’s interests can lead to conflicts in which the WTO’s ‘multilateral’ regulations are circumvented by ‘bilateral’ or ‘plurilateral’ deals, at times involving interstate power politics.<sup>112</sup> This context helps to explain the ‘crisis of the WTO’ since 2002 which has led to conflicts within the Global North as well as between the North and South (and includes a number of developed capitalist economies).<sup>113</sup>

This *mélange* of cooperation and conflict is explained by the fact that it is impossible – even for a hegemonic power – to produce an enduring order on the global level. One essential strategic problem for individual states, even in their internationalised form, is that the latitude they have with which to manoeuvre depends precisely on conditions over which they lack total control. International political institutions, as well, remain caught up in political and socio-economic relations (the latter often ignored in the IR literature) that are basically determined and shaped by other actors. International processes are and remain processes without a leading centre. The constriction of opportunities for action and the instability that results marks the outer limits of international coordination. In addition, because the central question of an *international monopoly on violence* can only be considered to be unresolved,<sup>114</sup> we must assume that the ‘various regulatory contexts [represent] a *network of international regulation* that is as complex as it is relatively incoherent. This manifests itself in its individual parts as uneven spheres of influence, power, and dominance relations. Such a network is characterised by a considerable hierarchisation and, in addition, the most selective possibilities for problematising certain themes and considering certain interests’.<sup>115</sup> Even Zürn and Zangl concede that ‘post-national’ governance develops differently according to domain and region.

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111. Görg and Wissen 2003a, p. 641.

112. UNCTAD 2005, pp. 23–31.

113. See Dieter 2005, pp. 194–208.

114. Kößler 2003, pp. 539–40. Within liberal and neo-institutionalist approaches to a ‘world domestic politics’, there have been calls for an international monopoly on power in the form of a world police force (Eppler 2002, p. 109). In practice, the monopoly on violence in the age of ‘globalisation’ is ‘delegated to international institutions and thus is not reconstituted at a supranational level. In the OECD world, there are no organisations that aspire to a monopoly on violence that have evolved to compete with the state. Of course, with specific police and military interventions, forms of interstate cooperation do develop through which attempts are made to link the highest degree of operational efficiency with the greatest degree of autonomy. In the end, police and military interventions remain under strict state control, and there are no recognisable signs that international institutions will hold any independent control over police or military powers, that is, without recourse on their members states’ (Jachtenfuchs 2006, p. 89).

115. Hirsch 2005, p. 153.

Moreover, material resources (in particular tax receipts) continue to be concentrated within the institutions of individual states. There is 'no indication that the state transfers any noteworthy amount of resources to international institutions'.<sup>116</sup>

International political institutions, which are formed by the relative concord of power élites, need not necessarily be permanent. They either adapt to new constellations of interests and adjust their function accordingly (for example, as the IMF/World Bank did in the 1970s), or they become insignificant (as is the case with several special UN organisations). This all takes place in the mutual context of inter-societal relations, in which the actions of power élites play an important role, but on their own not the decisive one. International organisations and régimes are only one structural element among others at the inter-societal level. The independent dynamic of market processes, the related and quickly changing policies of individual states, the relation of quasi-state and private actors, as well as domestic political repercussions all play a considerable role. Socio-economic crises call into question the routine of institutional processes and requisite (often painful and contested) 'adjustments' to new constellations. Narrowing one's analytical perspective too much on the international level can lead to a theory of the development of a 'post-national' constellation; by contrast, a more complex analytical framework of internationalised politics leads to a theory of structural *disorder*, in which different varieties of geopolitics evolve from time to time.

This perspective thus imposes narrow limits on the 'ethical-moral' hope for 'collective' solutions to 'collective' problems. Even if certain achievements are undeniable, international regulations are still always prone to fragmented interests.<sup>117</sup> In addition, it is typically misunderstood that international regulations generally apply only to the countries of the 'OECD world'. Within this context, notions of 'global governance' or of a

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116. Zürn and Zangl 2003, p. 164; compare Esser 1999, p. 128. Proof of this can be seen in the UN: Even if it has its own certain independent dynamic and counts as a normative, rational power in world politics, this inclusive security organisation possesses only a small degree of independence. After 1945, the UN was rarely in a position to act because the major powers blocked each other's initiatives on the Security Council (Hankel 2006, p. 36). Starting in the 1980s and with the [second] Gulf War of 1991, the UN became more important. Nevertheless, it continues to be significantly dependent on state resources, as exemplified by lacking its own armed forces. In its peacekeeping operations, the UN is entirely dependent on the willingness of member states to provide their armed forces, and even when they are provided, they do not fall under a UN-led chain of command. Neither the SFOR forces in Bosnia nor the KFOR forces in Kosovo 'are subject to a UN chain of command, but rather rely instead on that of NATO' (Zürn and Zangl 2003, p. 252). There is much fault to be found with the elastic constitution of the UN Charter, as well as its resolutions and decrees (e.g., like those concerning Iraq in the 1990s), measures that are criticised as mere attempts to construct its own legitimacy. In fact, the UN is not a neutral intervening power that stands above or beyond capitalist state competition. Within the organisation, capitalist state conflicts are expressed, for example, in the conflicts over and perceptions of the composition of the Security Council.

117. Zürn and Zangl are right to refer to the 'transnationalisation of the politics of recognition'. However, their assessment of a US attack on Iraq as unlikely given the 'current state of transnational opinion [at the end of 2002]' (2003, p. 267) still proved to be normative wishful thinking.



'world regime without a (world) state' are criticised.<sup>118</sup> For example, Christoph Görg and Markus Wissen conclude from their studies that the international system serves to safeguard contradictory social relations. In an internationalised state, it is possible to establish the 'structural privileging' of interests that aims to safeguard or otherwise secure the dominant social order.<sup>119</sup> Based on their discussion of supposedly 'good' democratic 'multilateralism' in international politics and 'bad' egoistical 'unilateralism', they draw the following conclusion: 'it is neither possible to limit [the notion of] "multilateralism" to the goals always ascribed to it – dealing cooperatively with collective problems – nor [that of] "unilateralism" to completely doing away with multilateral institutions'.<sup>120</sup>

In conclusion I should make reference once again to the various (general) tasks performed by internationalising state activities as an expression of the simultaneous need and limited potential for regulating 'inter-societal' antagonisms:<sup>121</sup>

- The *first task of legal order* is 'ensuring sovereignty'. Only through the mutual recognition of sovereign states is the international system of states constituted at all. State sovereignty, guaranteed by international law, protects territorial spaces and the reproductive relations that are organised within them. International political actors are thus constituted in advance, in contrast to other actors such as social movements or non-governmental organisations.
- The *second task of legal order* is the 'legitimate application of violence and physical protection' in 'peacekeeping' interventions, which are generally mandated by the UN. Here, individual states are of paramount importance for the control over physical means of violence. Moreover, international political institutions are meant to contribute to stabilising social relations
- The *first economic task* is establishing and securing the conditions of reproduction, for example by means of international economic institutions, in which the individual territorial state remains in turn the most important authority. In the face of transnationalisation processes, an intensive effort is made to ensure international legal and planning security and to regulate competitive relations. Developing a (equally precarious) 'global constitutionalism' is as much an expression of this tendency as is introducing supranational currencies (such as the euro).
- The *second economic task* is 'creating and securing prosperity'.
- The *first political task* comprises the creation of a terrain for conflict resolution, consensus building and legitimation. The creation of international political institutions is thus itself a mode of international politics.

118. Rittberger and Zangl 2003, pp. 322 et sq; see Brand et al. 2000.

119. Görg and Wissen 2003, p. 642.

120. Görg and Wissen 2003, pp. 630 et sq.

121. See Brand 2006, pp. 293–305.



- The *second political task* is ‘forming power relations’, which attempt to put internationalising statehood on a more permanent standing.<sup>122</sup>

#### 4. Considerations on various forms of competition

Capitalism in space and time can be understood as the totality of the fragmented world economy, the international state system, and other inter-societal dimensions. In the following section, I aim to describe this overall context by way of examples of diverse forms of capitalist competition. In so doing, I first describe precapitalist imperialisms; second, I identify the relation between geopolitical and economic competition under capitalism. I later make the discussion more concrete by referencing arms competition and the role of the military-industrial complex.

##### 4.1 *The dynamic of precapitalist imperialisms*

Thus far, I have connected the ‘latency’ of imperialist politics under capitalism to a systematic drive for competition, the unpredictable and uncontrollable dynamic of the global economy and its tendency towards instability, the international state system, and other inter-societal relations that ‘intersect’ with them.

By contrast, precapitalist ‘imperialisms’ were shaped by other dynamics. The term ‘imperialism’ in precapitalist societies referred above all to the use of military violence directed at dominating and/or exploiting precapitalist, state-like formations.<sup>123</sup> Even if there are many superficial similarities – thus allowing for certain comparisons between the fall of the Roman Empire and the current situation of the United States – I nevertheless make a sharp distinction between these processes and those of precapitalist geopolitics.<sup>124</sup> In contrast

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122. By no means is this summary meant to be exhaustive. Additionally, the functions named above are applicable above all to the current historical phase of capitalism since 1989. Brand himself includes an additional ‘intellectual function’. The term suggests that social relations can be secured over time above all when they appear to be acceptable to the ruled. Moreover, he discusses the idea of ‘meta-governance’, which suggests the independent dynamics of supranational institutions that could develop into a core function of a ‘hegemonic constellation’ (Brand 2006, pp. 404–5; see Jessop 2002, pp. 240–5).

123. I offer here a stylised representation of structural characteristics of precapitalist societies. An additional preliminary remark: Heide Gerstenberger suggests that many historical studies exhibit the problem of using modern terms to describe earlier phenomena of human life (Gerstenberger 2006, p. 12). In an effort to avoid this problem, I indeed use common contemporary terms retrospectively, but I place them in quotation marks (for example ‘Germany’, ‘France’, the ‘state’).

124. As much as there might be an imagined continuity between antiquity up through the twenty-first century that occasionally might have some political or ideological efficacy (such as the term ‘Oriental’), in this chapter I endorse the theory of principled differences between precapitalist and capitalist imperialisms. Niall Ferguson or Herfried Münkler, for example, argue against this particular approach. Ferguson makes use of a universal historical model in order to allow for an interpretation of US history as a further example of the history of empire, or more precisely, the ‘sixty-eighth’ empire in world history (Ferguson 2004, p. 14). Münkler distinguishes

to capitalist dynamics of growth and expansion, precapitalist societies were characterised by slowly developing technology and long phases of stagnation.<sup>125</sup> When there were social changes, however, they were more often the exceptions than the rule. Occasional leaps in innovation could be undone by centuries of stagnation. Increases in production in the feudal societies of Europe, for example, arose primarily through 'expanding cultivation areas and the increased labour power that such expansion required'.<sup>126</sup> However, there were strict limits on the ability to increase productivity. For example, the 'new' system of agriculture introduced around the year 1000 in central England coexisted relatively peacefully with the English cities of the middle ages. It was based on the heavy plow, manure, larger fields and water mills, and dominated the fabric of society until the time of the enclosures in the sixteenth century. Only then did agrarian production and the attendant social relations change in any substantial way. Social changes were brought about less by the daily functioning of the economic system – such is the case with economic competition under capitalism – than it was through extraordinary events such as territorial conquests, technological discoveries, or international crises.

There did indeed exist certain forms of competition, but they did not lead to any systematic increases in productivity: the ancient or medieval world was divided into rival imperial powers, feudal authorities, city states, and so on. There was continuous military conflict among these entities. No precapitalist ruling class could afford not to build up a strong military if it wanted to maintain its wealth (among other things, in the form of land) and thus its power. It was precisely the *absence* of a systematic tendency to increase labour productivity that allowed war and conquest to become a central ruling-class instrument with which to expand its territory (which was the basis for its wealth in the first place). The fundamental power underlying rival political formations was based on the extent of territory or conquest and the number of armed soldiers available to a given precapitalist ruling class. For this reason, ruling classes found themselves in significant military struggles over material resources. In a world of such little or limited

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the term *empire* from *hegemony* and *imperialism*. In so doing, the major empires such as Rome serve as historical blueprints that he analyses as a theory of cycles (Münkler 2005, p. 8). Far from being an instable, multipolar world order, a powerful empire can function to guarantee order (see Ferguson 2004, p. 8; Münkler 2005, pp. 224 et sq.). Münkler's typology of imperial dominance – the steppe empires (such as the Mongolian Empire), the sea empires (such as Spain and Portugal) and the trade powers (such as the British Empire) – is reminiscent of neorealism and roots itself more in geographical factors than in the social structures that underlay the respective policies of each empire (Münkler 2005, pp. 79–126; for critical discussion, see Teschke 2006).

125. See Maddison 2001, p. 42. As opposed to the commonplace theory of 'enduring stagnation', there did exist a relatively significant ability to innovate in precapitalist societies, for example, in Europe between the tenth and thirteenth centuries, during the Sung dynasty in China (960–1276), or in India at the time of the Mogul Empire in the sixteenth and seventeenth centuries (Harman 1999b, pp. 225 et sq.). Simultaneously, European feudalism experienced sharp crises, especially in the fourteenth and seventeenth centuries. For example, the military struggle of precursors to the absolutist states can be understood as one response among others to the crisis of the feudal mode of production.

126. Gerstenberger 2006, p. 499.

economic development, the struggle over 'surplus product' represented something like a zero sum game. Expanding one's resource base came *at the expense of* another ruler (and of the ruled in the losing territory), especially when done using state-military methods. Perry Anderson writes that war under feudalism 'was possibly the most *rational* and *rapid* single mode of expansion of surplus extraction available', and, in reference to the logic of feudal wars, adds: 'The typical medium of inter-feudal rivalry... was military and its structure was always potentially a zero-sum conflict of the battlefield, by which fixed quantities of land were won or lost. For land is a natural monopoly: it cannot be indefinitely extended, only redivided'.<sup>127</sup>

Thus it is little wonder that the precapitalist world was dominated by recurring military conflicts. The Roman Empire during its expansionary period represented an early, vivid example of a pre-capitalist 'military' imperialism. It created a system of theft based on violence, in which authority over abundant booty – not only slaves and precious metals but also land in particular – was transferred from the vanquished enemy to the Roman power élite. This allowed Rome to expand its military capacities and thus lay the basis for additional, even more aggressive wars of conquest.<sup>128</sup> Indeed, three quarters of 'state expenditures' flowed to military needs.<sup>129</sup> The Roman Empire was dominated by a landowning aristocracy that used a political programme of territorial expansion to realise its interests in greater territorial possessions. Land was the most important source of empire, with slavery an important second source. Even Roman peasants could 'profit' in part from conquest insofar as it led to lowered taxation.<sup>130</sup>

With his term 'political accumulation', Robert Brenner has attempted to describe the dynamic of pre-capitalist imperialism. His studies concentrate on European feudalism and absolutism.<sup>131</sup> Brenner's theory is based on three premises: first, he notes the

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127. Anderson 1974, p. 31; see also Gerstenberger 2006, pp. 497 et sq. So-called 'political accumulation' (such as land theft) tended in the direction of creating larger, more centralised centres of power (see Mann 1986, pp. 483 et sq.) The absolutist state was the end point of this development. The historical resolution of this contradiction, however, between the decentralised interests of feudal authorities and the need for the centralisation of power in the form of absolutist dominance did not follow any systematic logic of the feudal mode of production.

128. In this way, ancient Rome stood in contrast to 'China', which in the third century B.C. had constructed a different power structure. Different from in Rome, Chinese dominance based itself on a centralised bureaucratic apparatus of power. While that apparatus did support the military, the latter's goal was principally focused on colonisation. The ruling dynasty and its 'state bureaucracy', which maintained itself with direct taxation of peasants (a 'tributary mode of production'), prohibited the development of powerful landowning classes. Wood thus does not designate China as an empire, but rather as a territorial state with overwhelming reach (Wood 2003, p. 28).

129. Auernheimer 2004, p. 646.

130. See Wood 2003, pp. 28 et sq.

131. Robert Brenner does not cover all forms of precapitalist imperialism. In contrast to the imperialism of territorial land grabs, for example, there is also a precapitalist form of *trade imperialism*. Even if an imperialism based on industrial capitalism did not become dominant until the twentieth century, there were earlier examples of imperialist 'states' whose primary goal was not to acquire more land. Instead, their main aim was to dominate international trade and the related prospect for greater profits through buying low and selling high. Wood discusses three

relatively meagre incentive to develop productive forces. Second, he assumes a tendency on the part of both exploiters and exploited to want to improve their material situation. And third, he observes the fragmentation of the exploiting classes. The third premise represents a precondition for political accumulation, because a significant part of the dynamic of precapitalist societies grew out of the military conflicts between the exploiters. Brenner identifies two additional features of precapitalist property relations under feudalism: on the one hand, the direct producers have direct access (that is, not mediated by the market) to the means of production (tools, land, etc.) On the other, and to a certain extent as a consequence of the direct ownership of the means of production, the ruling classes are compelled to appropriate surplus product through extra-economic violence in order to reproduce their own social status.<sup>132</sup> Brenner summarises the dynamic behind military conflicts thus: '[I]n the presence of pre-capitalist property relations . . . the lords found that if they wished to increase their income, they had little choice but to do so by *redistributing* wealth and income away from their peasants or from other members of the exploiting class. This meant they had to deploy their resources toward building up of their *means of coercion* – by investment in military men and equipment. Speaking broadly, they were obliged to invest in their politico-military apparatuses. To the extent they had to do this effectively enough to compete with other lords who were doing the same thing, they would have had to maximize both their military investments and the efficiency of these investments. They would have had, in fact, to attempt, continually and systematically, to improve their methods of war. Indeed, we can say the drive to *political accumulation*, to *state building*, is the *pre-capitalist* analogue to the capitalist drive to *accumulate capital*.'<sup>133</sup>

Certainly, the need for political accumulation through violence and war ultimately led to the growing centralisation of the means of violence in the hands of absolutist states. However, internal social conflicts also accelerated this trend. Thus, the modern state developed historically through war and the monopoly on violence, but also through the contested abolition of serfdom. Related to this, the end of earlier taxation systems led to the creation of the tax state, which allowed surplus product to be accumulated

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examples of trade imperialism: the Arab-Muslim empire of the seventh and eighth centuries A.D., which produced Cairo and Baghdad as the largest cities of their time (outside East Asia); the Venetian trade empire of the thirteenth and fourteenth centuries, created especially in the wake of the Fourth Crusade; and the Dutch empire from the end of the sixteenth century to the early eighteenth century (Wood 2003, p. 47).

132. R. Brenner 1986, pp. 27 et sq.

133. R. Brenner 1986, pp. 31–2. Brenner thus supports the theory that the war between feudal authorities was not an autonomous process of military competition, but rather the consequence of the essence of the feudal mode of production (especially, of the inability of feudal lords to increase the rate at which production-supporting investments could be exploited). War preparations only had a limited independent dynamic. However, one might be too quick to generalise his theory to all precapitalist societies and thus overlook the differences among precapitalist modes of production, for example, feudal versus tributary modes (as in China). For critique, see Callinicos 1995, pp. 124 et sq., 173 et sq.

in the form of taxes.<sup>134</sup> In addition, internal productive and class relations are critically important for understanding *which* states were the victors and which the vanquished in military conflicts.<sup>135</sup> The central conflict of the eighteenth century between Great Britain and France over who would rule supreme in Europe – a conflict first resolved in England's favour in 1815 – serves to illustrate this theory. Surging military expenditures in Great Britain at the time relied on developing the very productive forces that had emerged from capitalist relations of production. France's continental monarchy, by contrast, suffered endemic problems in financing its own growing military spending.<sup>136</sup> The integration of the feudal nobility with the absolutist state resulted in the nobility being removed from leadership. Thus, peasants bore the burden of taxation, while the conditions of production they worked under only allowed for slow precapitalist development. The growing tax burden on wide sections of the population driven by the bureaucratic expansion of the state apparatus was a primary reason for the social protests in pre-modern 'France'.

Over time, the capacity to lead war increasingly depended on developing capitalist relations of production – specifically, access to new military technologies on the level of capitalist industrialisation.<sup>137</sup> Beginning in the mid-nineteenth century, the industrialisation of war contributed to the contradictory mediation of two 'logics' – namely, the dynamic of geopolitical conflicts between states, and the dynamic of economic competition among accumulating capitals. Both logics would become the characteristic of capitalist imperialism.

#### 4.2 *Geopolitical and economic competition*

The historical transition from precapitalist to capitalist forms of imperialism was a complex developmental process; the result of that development was two interrelated forms of competition, geopolitical and economic competition, neither of which could be reduced to the other.<sup>138</sup>

The first forms of modern capitalist imperialism were to be found in the British Empire. The development of British capitalism increasingly determined the form of the state's imperialist policies. Already in the seventeenth century, during the colonisation

134. See Anderson 1974.

135. The Europe of around 1500 comprised some 500 more or less independent entities – four centuries later, there were only 25 states. 'A disproportionate number of modern nation-states were brought about by war and revolution than by peaceful rapprochement or the mutation of older systems of dominance' (Wehler 2000, p. 229).

136. See Callinicos 2004, p. 169.

137. The rise of Prussia and the German Empire at the end of the nineteenth century demonstrated a quantum leap in expanding power made possible by the mutual penetration of capitalism, militarism, and the state: 'Prussia serves as the "classical" model to demonstrate the correlation between state-led armament and early capitalist industrialisation' (Krippendorf 1983, p. 196).

138. In this section, the focus is more on laying out the capitalist forms of competition and less on an exact, detailed recounting of its development.

of Ireland, its initial traits took shape. Military power no longer manifested solely as the power to conquer (for example, the power to extract resources), but rather contributed to the social transformation of Ireland in an entirely new way (albeit through violence). The colonisation of the Irish countryside imposed a radical change on rural life that the Irish sharply resisted. What made this form of imperialist politics unique was its connection to capitalist commodity production. This legitimised the expropriation of Irish land in a new way: 'Irish lands can be expropriated, not because they are unoccupied (which they are not), nor even because they are uncultivated (which they are not), but because they are not fruitful and profitable by the standards of English commercial agriculture'.<sup>139</sup> Wood describes a new concept of imperialism:

It testifies to the new principles of property already introduced into the English countryside and now invoked as a justification of empire. No longer is empire simply a means of subjecting populations for the purposes of tax and tribute or the extraction of precious resources. Nor is it simply a means of ensuring commercial supremacy by controlling the networks of trade. We can observe here the transition from commercial conceptions of profit – the profits of unequal exchange, 'buying cheap' and 'selling dear' – to capitalist profit, the profit derived from competitive production, from the increased productivity enabled by 'improvement'. And with these new conceptions of property and profit come new forms of, and new reasons for, colonization.<sup>140</sup>

Of course, the enforcement of new structures of capitalist geopolitics was not always smooth or uninterrupted. For example, the conquest of the American territories that once belonged to France – and in particular in the annexation in the eighteenth century of what today is Canada – can best be described as a precapitalist geopolitical project, not a capitalist one.<sup>141</sup> Moreover, British rule in India after 1856 had much more to do with precapitalist colonialism than did the colonisation of Ireland. At its beginning, the English East India Company was a precapitalist trade corporation that, like earlier trade societies, profited from its monopoly status and military protection. This did not

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139. Wood 2003, p. 82.

140. Wood 2003, pp. 82–3.

141. See Wood 2003, pp. 102–9. Wood undermines her own theoretical approach insofar as she labels as 'external' any development that does not count as 'capitalist' in the transition to capitalism. In so doing, she constructs a dualism between an 'economic' logic of capitalism and 'non-capitalist' phenomena that contradict this logic. Instead of this dualism, we might think of two 'sides' of capitalism and their mutual relation to one another. The slave trade, for example, was a central component of the development of capitalism in Great Britain, not a process antithetical to this development (industrialisation based on cotton relied on cotton produced by slaves in the colonies and profits from the slave trade alike). Also, in Wood's approach, a picture of 'economic' state functions is missing, because she focuses above all on the state's 'extra-economic' monopoly on violence and not on the role it plays, for example, in controlling a national currency. For discussion of the role of the British state that also considers the phases of 'free trade', see O'Brien 1999.

change until the turn of the nineteenth century, that is, until British capitalism took an interest in conquering the Indian market.<sup>142</sup>

British capitalism was able to establish its supremacy after 1815. The internal structures and class relations on the European continent lagged behind the 'progress' of the 'United Kingdom'. During this era, imitation played an important role. Through imitation, for example, the absolutist French state increasingly assumed the features of a capitalist state. It 'modernised' itself and French society, although without broad success. The 1789 revolution was a result of this failure. The revolution and Napoleon's campaign that followed it triggered 'passive' revolutions in other countries, revolutions 'from above'. This form of bourgeois-capitalist revolutions tended towards transforming the structural relation between politics and the economy within these societies; at times, though, these efforts suffered from delays and setbacks (for example, in France or Prussia). The development of Prussian Germany, an area that was underdeveloped in comparison to Great Britain or France in 1800, is an example of an 'external' impetus for capitalist development. Specifically, Prussia's defeat in 1806 and the subsequent French occupation exposed the internal decay and weakness of Prussian Germany.<sup>143</sup> In place of an independent, internal dynamic, the developing context of the world economy compelled Prussia to modernise.<sup>144</sup>

By the middle of the nineteenth century, capitalist imperatives increasingly shaped social developments in Central and West Europe, as well, reflected in the rapid industrial expansion in that century. Wood illustrates the ideological shift at the time:

Earlier in the century, at the time of the Napoleonic wars, Germany was a fragmented territory [sic] of small principalities, dominated by a conservative aristocracy, while the golden age of German commerce was already in the past. As the philosopher Hegel observed at the time, the German principalities were in position to confront the massive power of Napoleon. With that inadequacy in mind, Hegel constructed . . . a political philosophy based on the premise that what Germany needed to counter such a threat was a French state and a British economy, a synthesis of Napoleon and Adam Smith.<sup>145</sup>

A new form of capital, industrial capital, took on a dominant position. The exploitation of free wage labour, competition-driven accumulation, and the related expansion of productive forces all fundamentally shaped the development of industrial capital. Traditional political authorities and social groups typically functioned to ensure and expand these new social structures (as did the alliance of Prussian Junkers and Bismarckian militarism, for example), although this was different from country to country. In Germany and Italy

142. Arrighi 1994, p. 261.

143. Von Braunmühl 1976, p. 296.

144. As a result, economic free trade was introduced in 1810, 1811 saw the beginning of capitalist reforms to the Prussian estates, the tariff union came under Prussian dominance in 1834, resulting in a free trade zone that included four-fifths of 'German' territory.

145. Wood 2003, p. 123.



up through the last third of the nineteenth century, the 'bourgeois' élite remained too weak to impose its dominance in the form of an individual state.

At the same time, the 'bourgeois revolutions' – broadly understood, that is, in terms of the historical variability in developmental paths to capitalism – were processes of expropriation, above all of the nobility.<sup>146</sup> The legitimacy of their right to hold on power was contested. 'Personal dominance transformed into a public form of authority without a specific subject'.<sup>147</sup> By expanding the apparatus of administration, the state began to distance itself from individual rulers; an objective power of administration began to develop, and it had important consequences: 'bourgeois revolutions destroyed the dynastic basis of sovereignty that the signatories to the Treaty of Westphalia had considered as valid. Not in 1648, but rather only now did "the people" become the basic benchmark for sovereignty. Again, not in 1648, but rather only as a consequence of bourgeois revolutions did the concept of state sovereignty develop. It is this concept that since has become the foundation of international rights'.<sup>148</sup> Along with this, there developed a relative congruence of the state-administered realm with territorial boundaries, at least in the stronger states.<sup>149</sup> At the same time, the removal of personal dominance and its replacement with modern state power helped to free markets.

As capitalist principles of accumulation became more dominant, a process developed that one might describe as subsuming the dynamic of geopolitical expansion (up to this point in time still shaped by pre-capitalist logics) to the dynamic of competition-driven accumulation. Consequently, geopolitics changed qualitatively and took on a 'capitalist' form. After the mid-nineteenth century, capitalist imperialism was generalised as the mediation of two structurally interdependent logics of competition: economic competition within the emerging capitalist world economy, and modern, geopolitical competition between 'capitalist' states. Compounding this were 'inter-societal' relations of competition and power.

As part of its conjunction with capitalist imperatives, geopolitics took on a new form. *On the one hand*, it was no longer possible to ensure that rivalries between states without an industrial base would be successfully resolved.<sup>150</sup> The military power of a given

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146. See Gerstenberger 2006, pp. 514 et sq.

147. Gerstenberger 2006, p. 517; compare Bromley 1995, pp. 238 et sq.

148. Gerstenberger 2006, p. 514. The wars carried out under the absolutist imperative of 'political accumulation' were often triggered by the inheritance of a 'dynasty', because it was dynasties, 'not national states, nationality, or language', that functioned as the 'boundaries of state structures that had emerged through conquest or marriage and had slowly morphed from loosely constructed territorial states constantly in conflict with each other into clearly defined units of power' (Siegelberg 2000, p. 21). The Vienna Congress of 1815 expressed this as well: with the reordering of Europe after the Napoleonic Wars, dynastic and confessional interests dominated – Eastern Europe, for example, was divided among the 'Romanovs', 'Habsburgs' and 'Ottomans' (Gellner 1997).

149. Giddens 1987, pp. 172 et sq.

150. See Müller and Schörnig 2006, pp. 24–30 for a description of the differences in how wars were conducted before and after the industrialisation of war.



country was now dependent on the extent to which it had developed capitalist techniques and organisational structures. As Friedrich Engels wrote in 1892:

From the moment warfare became a branch of the *grande industrie* (ironclad ships, rifled artillery, quickfiring and repeating cannons, repeating rifles, steel covered bullets, smokeless powder, etc.), *la grande industrie*, without which all these things cannot be made, became a political necessity. All these things cannot be had without a highly developed metal manufacture. And that manufacture cannot be had without a corresponding development in all other branches of manufacture.<sup>151</sup>

Historical sociological research uses the term 'industrialisation of war' to capture this process.<sup>152</sup> The industrialisation of war requires a complex industrial and institutional structure and provides that structure with the necessary means to lead war. In fact, to this day the arms industry is sustained by a few key industries and on its own has brought about technological innovations. Based on specific new forms of technology, the amalgamation of the military, industry, and the state has brought about a considerable increase in destructive power. The telegraph, the railway, the steam ship all revolutionised the conduct of war. Additionally, the systematic professionalisation of standing armies and conscripted service contributed to this process.

*On the other hand*, new and broader social dynamics gave a distinctive character to capitalist geopolitics. Specifically, modern statehood was increasingly shaped by competition-driven accumulation among individual capitals. Although capital increasingly oriented itself on the world economy, this did not mean an end to the state. On the contrary, from the very beginning, competing individual capitals required a state to intervene in a number of areas: from nurturing the general conditions for production and protectionism, especially in 'latecomer' economies, to state arms expenditures and aggressive colonisation in the last third of the nineteenth century.<sup>153</sup> Capitalist states were not simply the plaything of 'economic' revolutions. They were themselves the active motor developing capitalist societies, even if the composition of the ruling class did not always 'correlate' to it: the Prussian Junkers, for example, were able to overcome their late-feudal roots relatively quickly and begin to act in capitalist ways.

From this historical moment on, it was necessary to understand the capitalist structure of accumulation, beginning with the 'vertical' and 'horizontal' contradictions of capitalism discussed above, in order to make sense of the geopolitical competition between states. David Harvey, Alex Callinicos, and others have attempted to analyse this more thoroughly. According to them, there exists a tension under capitalism between capital movement and the political form of individual states. Two patterns of competition result from these forms. They are relatively independent of each other and cannot be reduced

151. Engels 1968, n.p.

152. Giddens 1987, pp. 222–36.

153. See Mann 1993, pp. 378–81.

to the other. Callinicos describes the changing forms of *economic* and *geopolitical* competition, while Harvey sees the relation between *capitalist* and *territorial* power.<sup>154</sup> In principle, these theories attempt to capture the reality of a fragmented world economy and the state system. Harvey emphasises the systematic difference between the two logics: the individual capitalist operates in 'continuous space and time, whereas the politician operates in a territorialized space and, at least in democracies, in a temporality dictated by an electoral cycle. On the other hand, capitalist firms come and go, shift locations, merge, or go out of business, but states are long-lived entities, cannot migrate, and are, except under exceptional circumstances of geographical conquest, confined within fixed territorial boundaries'.<sup>155</sup> Normally, the economic logic dominates capitalist imperialism, in contrast to other types of imperialism, 'although there are times when the territorial logic comes to the fore' – for example, during the Cold War, the geopolitical arms races played a significant role.<sup>156</sup>

Building on these authors' arguments, one could argue that economic/capitalist and geopolitical/territorial strategies are oriented on two different *criteria for reproduction*: those for individual capitals, and those for state authorities. As I argued earlier, this can be connected theoretically to the individuation of the 'political' within capitalist societies. These two criteria lead to various strategies for reaching their goals and maintaining their standing. The essentially capitalist or economic criterion for reproduction consists of maintaining relative capital strength (and with it, profitability); when individual capitals fail to meet this goal, they risk going bankrupt or being taken over. By contrast, the basic criterion for territorial or geopolitical reproduction is to maintain dominance over one's respective population as well as over other states and 'external' social powers. The goal of capitalist geopolitics is *control over spaces*, that is, over 'political' and 'economic' spheres of influence, territorial claims, access to resources, and so on. The consequences of not meeting these goals range from the state losing its legitimacy to dominate to collapsing altogether, as a worst-case scenario.<sup>157</sup> The varying criteria for reproduction lead to divergent strategies and positions – an example of this is the scepticism among US economic actors (even in the oil industry) about the attack on Iraq in 2003. That is, economic interests do not simply translate into state actions. Nevertheless, the mutual structural dependence of both dynamics continuously leads to congruent strategies. On the one hand, a state's ability to act depends on the strength of corporations and the

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154. Callinicos 2003, pp. 99 et sq.; Callinicos 2007; Harvey 2003. For an earlier variation on this, conceived differently, see Arrighi 1994, pp. 32 et sq. In contrast to Arrighi, who discusses both of these logics as forms of dominance, Harvey and Callinicos understand them in a framework of differentiating the political from the economic.

155. Harvey 2003, p. 27.

156. Harvey 2003, p. 33.

157. As proof for the extreme case of state collapse, consider states such as Sierra Leone, Somalia or the Democratic Republic of the Congo. The criterion for a state to reproduce itself is not only limited to geopolitics. External dimensions of state power, however, are tied to internal dimensions as well. States that no longer control their own territory risk the intervention of other states. The collapse of the GDR and its annexation to the FRG is a recent example of this from Europe.

successful accumulation of capital within its territory; likewise, individual capitals and capital fractions are dependent on a number of state activities.<sup>158</sup>

Should spatio-temporal processes of accumulation exceed the boundaries of a given territory, usually a state territory, then the question is what impact this has on the actions of the respective corporation *and* the state. If it is possible that this process of capital accumulation might undermine the state's power, then the state must 'spend a good deal of effort and consideration on how to manage the molecular flows [of capital] to its advantage both internally and externally. And on the external front it will typically pay great attention to those asymmetries that always arise out of spatial exchanges and attempt to play the cards of monopoly control as strongly as it can. It will, in short, necessarily engage in geopolitical struggle and resort, when it can, to imperialist practices'.<sup>159</sup> In this latter case, the common forms of *competition* would grow into a *conflict*.<sup>160</sup> In order to distinguish the manifold forms of conflict that play out below the threshold of the open use of violence or war between states, I use the following discussion to organise various types of international conflicts along a continuum.

Bob Jessop summarises these considerations:

Whereas the state is based in the first instance on the territorial logic of political, diplomatic, and military power oriented to fixed territorial boundaries; capitalism is based in the first instance on the spatial logic of [economic] power that flows across and through continuous space and time. Each logic generates contradictions that must be contained by the other. This results in a spiral movement as contradictions are displaced from one logic to the other in a continuing process of mutual adjustment and reaction. This is reflected in different forms and dynamics of uneven geographical development, geopolitical struggles, and imperialist politics.<sup>161</sup>

However: should accumulation processes exceed the borders of an individual state, the rivalries that result can be regulated – at least on a temporary basis, and at times for longer periods – by creating supra-state agreements and international political institutions. This potential cannot be forgotten in the analysis of geopolitics, and in fact was already present at the end of the nineteenth century. That is, the simultaneous presence

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158. The attempt to politically regulate *currency areas* is an example of the complex mediation of economic competitive relations and political strategies for control, which will be further discussed below.

159. Harvey 2003, p. 108.

160. I differentiate between competition/rivalry and conflict between actors (on the term *conflict*, see Bonacker 2005; Link 1994). Causes of conflict can be found in the irreconcilable interests involved in competition. But only when actors are conscious of these interests and when the latter increasingly shape their actions, that is, when these conflicting interests bring about a critical tension in these actors' relations to one another, can this expand into an explicit conflict. This critical tension suggests there is a moment in which competition spills over into conflict, namely, when structural relations – which develop simultaneously out of similarities and contradictions – are put into jeopardy.

161. Jessop 2006, p. 156.

and always-changing articulation of competition *and* cooperation are not only a feature of the late twentieth century.

Here, it is necessary to expand the theoretical framework for explaining the dynamics of capitalist imperialism. For Harvey, at issue is a 'double dialectic of, first, the territorial and capitalist logics of power and, secondly, the inner and outer relations of the capitalist state'.<sup>162</sup> A given foreign policy cannot be understood without analysing the respective national society from which it emerges, because it is precisely the variations in these policies that bring forth a number of distinct capitalist 'imperialisms'. Political and social struggles in the context of the territorial logic of power, struggles both within and over the state, produce the specifics of each respective imperialist policy, its contingency, and its variability. As a result, a theory of 'many' imperialisms also requires an analysis of the phenomenon of modern 'mass politics' (such as nationalism, racism/culturalism, as well as anti-colonialism and anti-imperialism) and of the power relations in parliament and other political apparatuses.<sup>163</sup>

At the same time, it is necessary to understand both sides of this process of geopolitical and economic strategies in terms of how they move and operate. Many neorealist analyses limit their view to the 'logic' of the state and, thus, to 'security questions', while scholars who adopt economic arguments (for example, liberal institutionalists and a few Marxists) explain state actions with a narrow focus on economic causes.

With both Callinicos and Harvey, their analysis of the territorial logic of power and of geopolitical competition are not as elaborated as their analysis of the capitalist or economic logic of power. Thus, I briefly introduce some factors of capitalist geopolitics that are relevant for theorising global rivalries and will be explored in greater detail below:

- *The economic dimension of capitalist geopolitics:* An economic backbone is central for the creation of political-military 'competitiveness' – increasing such is thus in the interest of the capitalist state. The strength of a state correlates to its accumulated wealth. Related to this are the technological military capabilities available to the state. Geopolitics are always shaped by technical conditions, as well, which determine the quality of 'forces of destruction'. We must also take into consideration here that in the production of geopolitical strength, the 'geo-economy' (that is, the way in which an economy integrates itself into the regional and global geography) also plays a significant role.<sup>164</sup>

162. Harvey 2003, p. 184.

163. By referring to class relations and class struggles within a territorially delimited society, Harvey's theory reformulates the theory of *social imperialism* (Harvey 2003, p. 124). What occurred in several states at the end of the nineteenth century, namely deflecting unresolved internal social problems with aggressive foreign policy, continues today in a similar way, as Harvey explains by way of the Bush (Sr.) administration's policies.

164. 'Britain "waited" centuries until the navigational revolution and the "discovery" of the New World meant wealth and power might be conferred by its offshore geo-economy' (Mann 1993, p. 258). A favourable geo-economic position remains an advantage for the United States to this

- *The role of ideological and normative power in geopolitics:* This category includes normative 'resources' that enable a state's leadership to sustain the threat or actual use of violence when necessary for a longer period of time, even requiring its own population to sacrifice itself under certain circumstances. These potentialities, for example a strong feeling of national identity or projected fears of an 'external' threat, continue to play a significant role in geopolitics to this day. At the same time, there is still room for an analysis of national movements and arguments to provide a more precise description of how that role plays out.<sup>165</sup>
- *The military dimension of geopolitics:* A strong army not only presupposes a sufficiently large GDP, but also a comprehensive military system that can make use of these economic resources for military expansion and executing wars.<sup>166</sup> As I demonstrate below, military efforts of the US state and of European or Asian states should not only be classified as the expression of special interests or the narrow-minded obstinacy of a military-industrial complex, but also and especially as an attempt to bolster their 'general interests' in exploiting specific, global opportunities to exert influence. Thus, we must see the central significance of the arms race in terms of being a form of geopolitical competition.
- *The influence of political organisation and the formation of alliances in geopolitics:* Empirical studies have established that economic resources alone are not reliable indicators explaining how the wars since 1945 have ended. Instead, better political organisation can be the decisive factor that brings war to a close, as was the case, for example, with the victory of North Vietnam over South Vietnam and the US. In this context, political alliances also play an important role: 'Economic theorists seem to forget that all major modern wars have been fought between alliances... Had the losers negotiated themselves more powerful allies, they could have been winners, plausible candidates for hegemony'.<sup>167</sup>
- *The factor of leadership:* The significance of short-term decisions increases as international contexts become more complex. Thus, diplomatic and political-military decisions carry great weight.<sup>168</sup>

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day, even if the compression of time and space has weakened this factor (and thus cannot be exaggerated, as the neorealist Mearsheimer used to do; see Mearsheimer 2003, pp. 114–37).

165. See Arendt 1973.

166. See Deudney 2000. In the last few decades, new forms of geopolitical application of technological innovations in the military have been introduced. Besides the four classic dimensions of strategic military power (namely, sea power, land power, air power, and 'space-age' power), a fifth dimension has since become relevant: the power of *digital information* (see Rennstich 2003). One of the most important achievements of modern military policy has been the creation of an information infrastructure. The US 'Revolution in Military Affairs' in the 1990s based itself on applied modern information technologies (Müller and Schörnig 2006, pp. 97–8).

167. Mann 1993, pp. 259–60.

168. Historical coincidences must also be taken into consideration, as Mann demonstrates with the example of the First World War: 'A singular event has particular causes... In dissecting more general, structural causes, I seek only to explain the general climate that made war somewhere

In the end, the essence of capitalist geopolitics is fundamentally different from the geopolitical system under feudalism.<sup>169</sup> In the latter case, war and 'political accumulation' were the central means for appropriating surplus product. Occupying 'foreign' territory under capitalism is indeed possible, but it is not required as it was under feudalism, because the aim is different: when given a choice, states and élites generally prefer to exert influence over foreign spaces so as to facilitate and ensure economic expansion and valorisation *without* direct control over those spaces. In other words, capitalist geopolitics does not necessarily mean direct authority. Political threats and military competition function precisely to support the 'peaceful' management of international public spaces and to regulate the 'anarchy' of international space and inter-societal relations. In this case, military potential means possessing the political power to have a say in international affairs and to be able to enforce that say. In short, this potential serves as the 'discrete' background information about the relation of forces.

Geopolitical and spatio-political strategies for control can be differentiated into strategies of *formal expansion* (more or less direct control over previously foreign spaces) and those of *informal expansion* (strong states, for example, asserting the principles of business and trade against weaker states without direct military intervention). Of course, the two forms of expansion cannot be separated schematically, because they can appear historically at the same time. Moreover, informal expansion also presupposes the potential of a real and effective military threat.

In this context and with respect to how strategies for controlling spaces are applied, we can distinguish between a *soft geopolitics* and a *hard geopolitics*:

Through 'hard' geo-politics, states use militarism, organized violence, and war to competitively acquire, control, and defend territory; access strategic natural resources; promote national security; and achieve military-political hegemony within the 'competitive inter-state system' . . . . Against this ever-present backdrop of military potentiality, stalemate, and re-ascendant warfare, advanced capitalist states can exercise and seek geopolitical hegemony, non-militaristically. 'Soft' geo-politics represents states' competitive and coercive interactions, using political-economic tactics to exercise and increase their political clout and maximize their individual economic gain.<sup>170</sup>

Under soft geopolitics we can include the influence of strong states on international political institutions and foreign markets, the function they might hold in 'setting examples' as economic, political and/or security leaders, as well as their socio-cultural influence. Individual states use these means to influence international economic and other decisions. Of course, hard and soft geopolitics overlap each other in reality.

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between a possible and probable outcome. Accidents may happen, but they may happen probabilistically. What may look random down on the ground, especially to the participants, may have an overall, long-term pattern *sub specie aeternae*' (Mann 1993, p. 795; see Mann 1986, pp. 532–7).

169. Rosenberg 1994, pp. 139 et sq. Here, I am referring to an important difference from the theoretical logic of neorealism, which argues that the state system has obeyed essentially the same rules since at least 1648, if not longer.

170. Gritsch 2005, p. 2.

[Soft power] co-opts people rather than coerces them. Soft power rests on the ability to set the political agenda in a way that shapes the preferences of others . . . . Of course, hard and soft power are related and can reinforce each other. Both are aspects of the ability to achieve our purposes by affecting the behavior of others.<sup>171</sup>

Based on these distinguishing features – and building on Gramsci's notion of hegemony – later in the study I differentiate between historical phases in the world order, each of which encompasses various hybrid relations of compulsory and consensus-building factors.<sup>172</sup>

To understand the various *capacities* of capitalist states, it is helpful to distinguish between different types using the strong states as examples: first, globally predominant or even hegemonic states; second, states in leading positions at the macro-regional level that have a global impact as well; third, leading states at the macro-regional level with less impact internationally; and fourth, strong states with a limited influence. Insofar as these latter states pursue imperialist policies, they can be designated as sub-imperialist powers. By *sub-imperialism*, I mean countries that strive for political dominance on a regional scale in ways similar to the most developed capitalist states at a macro-regional or even global scale. Time and again, over the last 200 years, the development of the capitalist world system has led to geopolitical conflicts of an historical scale that have shifted power relations between states – conflicts that have often been caused by the actions within and by 'contender states'.<sup>173</sup>

So as to avoid a universalising explanation for economic and geopolitical competition and conflict, I should again remind the reader of two points: that geopolitics itself was transformed in the transition to capitalist imperatives, and it continued to change throughout the course of its historical development. Consequently, the goal should be to develop a theory that historicises geopolitical conflicts, that is, an explanatory approach that takes into consideration the structural differences between various modes of production and that incorporates the specific manifestations of intra-capitalist developmental phases and historical constellations.

#### 4.3 *Market competition, arms races and forms of geopolitical-military conflicts*

As I discussed in an earlier chapter about capitalist structural features, the tension between equality/freedom and exploitation, and the competition that dominance requires are both constitutive elements of capitalism. Consequently, the capitalist world

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171. Nye 2002, pp. 9–10. Susan Strange discusses four structural dimensions of exercising soft and hard forms of power. She differentiates 'hard' security structures from 'soft' productive structures, finance structures, and knowledge structures (that is, the privileged access to knowledge). Actors are 'powerful' when they can influence these structures. 'Production is basis of life and therefore the fundamental essential. But production (or wealth) cannot be enjoyed, or even produced, without order; and order requires the provision of security' (Strange 1989, p. 166).

172. See Bieling 2005.

173. Van der Pijl 2006.



system in its actual historical fragmentation can never relinquish the means of violence, surveillance, and discipline; thus we should understand it as a form of *social* or *socio-spatial governance*. It is necessary to recognise the ‘irreducibility of the phenomenon of extreme violence as a structural determinant of capitalism’.<sup>174</sup> The processes of exploitation and exchange risk being interrupted without the constant threat that (state-monopolised) means of violence might be used. For the case of intra-societal processes, I have already demonstrated this point sufficiently elsewhere. Thus, in this section, my aim is to describe how this applies as well to the competition between states, among other things in the form of an arms race.

In neorealist approaches to international relations, the dynamic of armaments is undertheorised as an ‘externally driven’ process, in which states react ‘rationally’ to external stimuli. In liberal approaches, by contrast, the focus is more often on ‘domestic’ causes for military build-ups, for example, by stressing the special interests of the military-industrial complex or the smaller ‘propensity’ for armaments and war in ‘democratic’ societies.<sup>175</sup> Neither approach offers a satisfactory analytical foundation because the arms race is animated by dynamics that are at once internal and external to a given society.

We thus need to add a political-economic consideration to the mix. When Marx explains how various individual capitals are placed in relation to each other, he speaks of an anarchic *market* mechanism. But, in principle, there is no reason why other mechanisms that relate to each other in unplanned ways cannot also play a similar role. Arms production and the arms race represent just one such possibility. Armaments are only partially exchanged; here, market regulations are suspended.<sup>176</sup> The typical situation is that arms manufacturers produce for a single buyer, the state, and thus can dictate costs. The issue here is ‘negotiated contract relations’.<sup>177</sup> The market plays no direct role in these relations – although the productivity levels in other economic sectors do have an impact on arms production. For example, the history of the Cold War demonstrated that military opportunities correlated with the strength of a national economy.

Although it is a ‘competition-free process’, state arms production nevertheless animates a capitalist competitive dynamic that expresses itself on the geopolitical level of the international state system. In fact, the arms race counts as one of the most important

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174. Balibar 2001, p. 1287. Thus, the familiar picture of social development as a process of ‘rationalisation’ or ‘civilisation’ must be subjected to critique. It seems more sensible to conceive of violence itself as a component part of civilisation processes, and not as its polar opposite, a position that Horkheimer and Adorno, among others, have argued (Horkheimer and Adorno 1998). The widespread theory that violence and barbarism are ‘throwbacks’ or ‘regressions’ to uncivilised premodern times is too one-sided. ‘Barbarism’ is part of the process of ‘civilisation’ and the processes of the worldwide spread and anchoring of capitalism.

175. For an overview, see Müller and Schöring 2006, pp. 60–72.

176. Importantly, this is not the case in the arms trade. In the following discussion, I abstract from the arms trade. For an analysis of geopolitical uses of German arms exports, see Henken 2005; Biermann and Klönne 2004, pp. 186 et sq.

177. Rödel 1972, p. 18.



components of geopolitical competition.<sup>178</sup> If market competition goes hand in hand with the (mostly private) realisation of profit, then geopolitical arms competition by contrast aims to increase the potential power of individual states, the control over spaces and/or territories, means of production, and people. To date, this aspect of capitalism has not yet been sufficiently theorised.

In sociology, there are approaches that attempt to describe the dynamic of the arms race and, more broadly, the violent forms of general conflict as the 'violent character of modernity'.<sup>179</sup> In his essay, for example, Hans Joas objects to the boom in modernisation theories at the beginning of the 1990s, arguing that 'war and civil war as we know them have shaped modernity at its innermost essence'.<sup>180</sup> The wars between competing territorial states over the last 200 years have been cases of a constitutive form of executing violence.<sup>181</sup> In so far as they destroy wealth and allow for new accumulation cycles, wars

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178. In this way, arms production follows a different logic than, say, the production of social services. Liberal critics of the arms economy, such as John K. Galbraith, have indeed described conjunctural political aspects of arms. But they considered arms as a motor for growth that is fully replaceable by other state expenditures, such as housing or social benefits. As Kidron notes, however, there is a strong 'domino effect' (Kidron 1970, p. 66) from arms production that has to do with the plurality of individual states and the perception of threat among the elites that rule them. There is less reason to feel threatened by a neighbour's standard of living than by their military.

179. Imbusch 1999, pp. 147 et sq.

180. Joas 1996, p. 24.

181. The two major twentieth century wars among capitalist states represent an extreme form of mutating economic and political *competition* into interstate *conflict*. We can see their relatively independent dynamic in the Second World War (see Kolko 1995). In the war, an altered structure of competition was visible. The attempt by states engaged in the war to use direct violence so as at least to hold on to their international spheres of influence became the central reproductive mechanism. In this way, the *goal* of production changed as well. Of course, the accumulation of the means of destruction is a normal condition under capitalism. However, in the Second World War, this became all encompassing: 'But once all-out war had begun, things could be rather different. Both sides were converted into military state capitalism in which all that mattered was the growth of the national military potential, even if this did not necessarily lead to an increase in the surplus value available to the national capitalist class. Any reserves of surplus value had to be ploughed straight into the war effort, regardless of all considerations of profitability. The existence of a *mass* of surplus value, rather than any particular *rate* of profit, was the factor determining whether new industrial and military investments were embarked upon' (Harman 1999a, p. 72). The trend of *negative extended production*, a special form of capitalist relations of conflict in which national market forces and conventional profitability no longer seem to set any boundaries, had taken hold in nearly every major industrial state. Certain sectors within national economies did continue to be subject to the competitive logic of the market. However, in this specific historical constellation it was not these islands of 'classical' capitalism, but rather the competing, state-led capitalisms that shaped the face of the international capitalist system more than anything else. In this sense, the war should not be read as a break with the capitalist mode of production, but rather as its more barbaric form of existence. As Hannah Arendt writes, this barbarism was already laid out in the world views of the early masterminds of bourgeois society: the philosophy of Hobbes, 'the naked brutality of which bourgeois elites have not dared to invoke until today, presupposes what could clearly be seen from the beginning... In the imperialist age, the power philosophy of Hobbes becomes the philosophy of the elite. They have experienced and are ready to concede that extermination is the most radical form of dominance and of possession' (Arendt 1976, p. 25).

under capitalism can indeed be ‘productive’: The ‘Great Depression’ of the 1930s was ‘only brought to an end by the very different drama of the Second World War. War, not economic wisdom, ended the depression’.<sup>182</sup>

Of course, violence, war, and other geopolitical forms have changed considerably over the course of capitalist development.<sup>183</sup> So, for example, the development and use of atomic weapons have radically altered military strategies, since nuclear weapons, unlike any other in history, can be leveraged politically already *before* they are used. Most geopolitical conflicts since the emergence of the capitalist world system have taken place just below the threshold of ‘classic’ war:

The data on *militarised interstate disputes* (MID) prove first that the majority of interstate conflicts since 1816 have been limited to one of three levels of intensity, the threat of using force, the display of force, and the limited use of force... Second, the absolute number of MIDs since the end of the Second World War has increased considerably... when we control for the number states in the international system, however, the risk of MIDs occurring and lasting has remained relatively constant since 1816... On the basis of MID data it can be shown that countless state pairs, such as Greece and Turkey or India and Pakistan, have been caught up in enduring rivalries.<sup>184</sup>

In current geopolitical conflicts, wars, and civil wars, there are forms of military policy that are partly new. Münkler writes that the history of war in the second half of the twentieth century can be ‘conceived of as the successive detachment of subordinate tactical aspects of using violence from the framework of genuine military strategy’.<sup>185</sup> That is, what used to be tactical elements in earlier wars has since been developed into strategy. We can include in this category, first, the offensive ‘Blitzkrieg’, which is designed to avoid prolonged war (for example, the second Gulf War in 1991); second the defensive ‘Magenot doctrine’, which is based on fortifying defensive forces (a current expression of this doctrine is the discussion over a missile defence system); and third, an indirect approach that ranges from economic blockades to strategic air campaigns.<sup>186</sup> In developments after 1989, the ‘war as terror’ has become an additional mode of permanent war, that is, an enduring war of (usually) low intensity that blurs the boundaries between war and not-war. With the end of the Cold War, arms and war processes have thus not disappeared. Even if total nuclear war seems further off than it did, say, in 1961, this does not mean that the ‘secular’ trend of ‘civilisation’ has come to pass without problems. ‘(After 1989), what might have appeared at first glance as “containing war” (Carl Schmitt) proved to be the return of military options that had been disguised during the Cold War era’.<sup>187</sup> The use of international law to sanction military interventions, for example in

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182. Galbraith 1995, p. 91.

183. See Kolko 1995; Herberg-Rothe 2003; Jung, Schlichte and Siegelberg 2003.

184. Chojnacki 2006, pp. 51–2.

185. Münkler 2002, p. 187.

186. Münkler 2002, pp. 214 et sq.

187. Bröckling 2000, pp. 84–5.

Yugoslavia in 1999 or in the Iraq War of 2003, has again made the application of violence a (contested) tool of 'Western' foreign policy.

At the same time, the exponential growth throughout the twentieth century in the devastation that wars cause now means that opening up war negotiations involves incalculable risks. Senghaas argues that, in the eighteenth and nineteenth centuries, the states that initiated wars won them eighty per cent of the time. In the twentieth century, the proportion reversed itself: 'Now, those who started wars lost them in sixty percent of the cases; the chances for victory have thus dramatically sunk. This has to do with the intensified use of resources and, along with it, the unleashed and unpredictable dynamic of escalation'.<sup>188</sup> Because 'risky' actions are part of the repertoire possessed by capitalist actors, states, and state alliances – especially during unstable times – interstate wars in a number of forms are still possible. Just because interstate conflict today is more likely to appear in the form of the 'threat of force' does not mean that such conflict has ultimately become obsolete. For this reason, normative conceptions of a 'world civilisation' must take into consideration the ongoing 'uncivilised' rivalry within the world system.<sup>189</sup>

#### 4.3.1 *The role of the arms economy and the 'military-industrial complex'*

Analysing the arms industry is a necessary part of any theory of modern geopolitics. In past years, only a few social scientific studies of this dynamic have appeared.<sup>190</sup> The imaginary post-1989 'peace dividend' partly accounts for the lack of interest in this topic. By contrast, in the 1950s and 1960s critical scholars continued to focus on the particular significance of the 'military-industrial complex' (MIC), defined as a conglomeration of high-level military officials, politicians, arms industry figures, and scientific think tanks. They suggested the danger of the MIC becoming a dynamic unto itself that could defend its 'own goals' and interests against disarmament efforts. Likewise, they criticised US intervention in Vietnam from the perspective of 'international arms markets', that is, as a means of accelerating the attrition of arms so as to politically justify the production of new weapons. The well-known critic of arms policy, C. Wright Mills, emphasised how international tensions were exaggerated in favour of the 'apparatus of war' and thus created an excuse for increased arms expenditures.<sup>191</sup> The argument boils down to a claim that this special interest group uses its influence to convince the state to spend a disproportionate amount on arms in relation to its 'actual' security needs.<sup>192</sup>

188. Senghaas 2003, p. 307.

189. See Kaldor 2005; see Colás 2005. I also hope for a democratic world order based on cooperation. And it is certainly the case that many international conflicts, risks, and contradictions can only be solved in 'cosmopolitan' ways. However, we must acknowledge the fact that realising this hope within the current world system is a difficult task. Thus, the work and aim of critical social theory is and remains to conduct an impartial analysis of reality. Normative, social (peace) projects should base themselves on such theory, not ignore them (see Marcuse 1995; Senghaas 1995).

190. See Müller and Schörnig 2006.

191. Mills 1958, p. 126.

192. See Senghaas 1972.

The studies by Mills and others can be read as reacting to the influence of certain groups of capital and political circles pushing for intensified arms production. These critics console themselves, however, with the idea that it is 'only' a special interest of one (albeit) powerful layer in society that leads to militarism. In principle, then, according to this theory, different choices are possible, because arms build-ups do not serve the interests of most 'capitalists' and 'élites'. That is, it is indeed possible to politically overcome this 'lack of imagination'.<sup>193</sup>

By contrast, the role of arms and arms production broadly conceived under capitalism should be seen in toto as a permanent, historically variable component of the capitalist processes of accumulation and crisis. Globally fragmented capitalism is not only a means of production and consumption, but also a means of *dominating social spaces*. Just as domestic society is inconceivable without surveillance, discipline, and force, the foreign policy of capitalist states can only be understood as being shaped by (the threat of) force, the military, and armaments.<sup>194</sup> How the 'economic' and the 'military' spheres are articulated within social power relations may vary – for example, domestic political issues prevented the US from intervening with ground troops after 1975 ('Vietnam Syndrome'), while social movements of the early 1980s led to the relative easing of the 'Second Cold War' after 1986. However, there are specific boundaries placed on political leeway for such articulation, boundaries that have to do with the 'viability' of states, even if this viability in turn is perceived differently (which is to say that it is a more complex phenomenon than neorealist analyses allow). It is therefore impossible to fully capture the actual role that the MIC plays in society by analysing it in isolation. This is because the specific position and dynamic of the MIC at a given historical moment is tied to the very reproduction of broader social relations whose defense it is meant to ensure.<sup>195</sup>

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193. Mills 1958, p. 168.

194. For an overview of international increases in defence spending, see SIPRI 2005.

195. See Serfati 2004.

## Chapter Six

# Historical Phases of the World Order and the Periodisation of Socio-Economic and Geopolitical Power Relations

In my earlier discussion about the four structural features of capitalism, I noted that it is important to consider how their global development and their inherent interconnections vary over time. Further, I argued that there is no single relation underlying them that determines how they vary. In this chapter, I build on that discussion to make the following claim: in order to grasp the complex relationship between economic and geopolitical competitive relations, it is necessary to understand their historical transformations on multiple levels.

In pursuing this claim, I first describe *historical phases of the world order*, that is, specific phases that are neither synonymous with conventional descriptions of economic developmental phases nor with phases of statehood or state interventionism. In a second analytical step, I differentiate the phases of the world order *in their socio-economic and geopolitical forms* according to the various distinguishing characteristics that each phase presented. Because there are different criteria that govern the reproduction of individual capitals and individual states, these socio-economic and (geo-)political phases do not proceed coterminously, despite their mutual interdependence.

Any theory of inter-societal social conflict must acknowledge the importance of the conscious activity of collective actors, even if it is 'structurally' conditioned. Because the goal of this study is to analyse the structural features of capitalism in their historical transformation, I introduce some theoretical considerations at the beginning of this chapter

about the relationship between ‘structure’ and ‘agency’, as well as the terms historical ‘phase’ and historical ‘constellation’. Following my GPE perspective, I then attempt to periodise the phases of global power relations at the broadest conceptual level, which thus allows for an analysis of ‘world orders’ and their hegemonic and non-hegemonic character. I follow up on this with a periodisation that focuses more specifically on socio-economic development. Finally, I look more closely at the transformation of statehood and state competition.

## 1. Structural features, phases and constellations

Describing the constitutive structural features of capitalism is a necessary, if also insufficient foundation for developing a theoretical framework for studying geopolitical phenomena. The ongoing mutation of capitalist societies in space and time challenges theoretical analysis and empirical-historical research to draw connections between the *constitutive structural features* of the capitalist world system (that is, wage relations, competitive relations, monetary relations, and the individuation of the ‘political’ and the related plurality of individual states) and the various *historical phases* of capitalist development. In other words, the task is to identify the ways in which these key structural features manifest themselves as relatively stable, typical hallmarks of a specific historical epoch (that is, with respect to a hegemonic or non-hegemonic world order). This theoretical framework should facilitate the study of specific *constellations*, which encompass additional factors such as strategic projects, resource dependencies, specific inter- and intra-societal power relations, and normative dimensions. Thus, the entire idea of developing ‘a’ general theory of capitalist imperialism is problematised, because such a theory must account for the variability within different *geopolitics*. In order to avoid confusion, in the following discussion I use the terms ‘constellations’ and ‘phases’. Subsequently, I build on earlier models of periodising capitalist development, as well as ‘mid-range’ theoretical approaches and other studies in order to develop a typology for periodising global power constellations.

In studying an *historical constellation*, the task is to grasp the real paradoxes within societies at a specific moment in their development. A concrete historical constellation describes the totality of development and social forces in a specific historical situation. Capitalist development is always mediated by social forces that operate within specific institutional contexts. Thus, a constellation can be understood as the intersection of a theory of capitalist development at specific phases with a theory of structure and agency (above all, the agency of collective actors). For the purposes of this study, moreover, a constellation can be understood as the crystallisation of international, inter-societal, and intra-societal processes.

Methodological imprecisions can creep in when studying concrete historical constellations, for example by taking static ‘snapshots’ of historical reality that blur our

understanding of the persistence and impact of fundamental structural features of capitalism. A paradigmatic example of this is the hopes expressed within the social sciences in the years after 1945 and after 1989 for stability, peace, and prosperity. Similar problems arise when an analysis derives constellations directly from the structural features of capitalism *while disregarding* their respective manifestation in historical phases. Neither the history nor the future of capitalism can be derived from or predicted by a predetermined logic. Instead, we need a theoretical approach that does not attempt to rise from the 'abstract to the concrete' by simple deduction, but rather by concretising the ways in which structural features transform over time within a comprehensive and more complex context. An analysis of concrete, historical constellations in the world economy and the international state system thus requires a methodological approach that connects an abstract line of thought to units of analysis that move from the 'simple' to the 'complex'.<sup>1</sup> Accordingly, the structural features of the capitalist mode of production that were introduced in earlier chapters must now be connected to other features of social reality in a process of ongoing concretisation and with regard to increasing degrees of complexity (that are irreducible to the dimensions posited earlier), so that these general features can be brought to light in their specific forms. These structural features must be *historicised* in order to understand their actual consequences.<sup>2</sup>

By analysing specific forms of the structural features of capitalism in *historical phases*, we can connect them to specific constellations. It is necessary 'to distinguish between two kinds of intermediary analysis that, while of a higher resolution than general theorizing about the capitalist mode, operate at different levels, respectively, that of a specific phase of capitalist development and that of a determinate historical [constellation]'.<sup>3</sup> By 'historical phase', I mean the structural and agentive patterns that obtain a certain amount of cohesion and remain influential over a period of years and decades. In contrast to chronology, the intention of periodising phases is to understand 'an otherwise differentiated flow of historical time by classifying events and processes according to their internal cohesion and external differences so as to recognise periods of relative invariance... We can periodise when relative continuity alternates with relative discontinuity. Relative continuity does not assume a kind of stagnation in which society reproduces itself exactly, but rather only that no appreciable changes have broken the continuity that is typical of each respective era'.<sup>4</sup>

For each phase that I examine in this study, I emphasise the relatively coherent hallmark for each and the considerable influence it had. For example, the structure of the world order between 1945 and 1989 overlaid international relations and intra-societal contexts in specific ways: the phase of the Cold War shaped the dynamics of

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1. See Marx 1973, pp. 100 et sq.

2. Hay 2002, pp. 143 et sq.

3. Callinicos 2005, p. 42.

4. Jessop 2001c, p. 9.

international relations in both the 'West' and the 'East', and, as I describe below, brought about a partial individuation of geopolitical from economic competition. Indeed, during this time, thoroughly 'objective' laws were in effect (which were themselves tied to the structural features of capitalism) that could not just arbitrarily be displaced; at the same time, these 'structural' dynamics of historical reality were thoroughly reshaped politically and socially.

The attempt to periodise capitalism is not new. However, periodisations are often oriented on one deterministic historical philosophy or another.<sup>5</sup> Thus, how one periodises becomes critically important. From my perspective, distinguishing between various historical phases is not simply a process of following objective criteria, but rather is related to the sort of research questions one poses, in this case regarding international relations of cooperation and competition, above all within and among industrialised societies: 'There are multiple elements involved in periodisations, and their criteria vary according to the specific unit of analysis. Thus, for example, increasingly concrete and complex criteria are required [to specify] the unity of capitalism as a mode of production, say, state capitalism as a particular stage of capitalism, [or] Fordism as a regime of accumulation'.<sup>6</sup> We can understand the term 'phase' in one sense as emphasising those tendencies that prevail over a given period of time. Thus, certain periods can be easier to identify when they are historically bounded – this might explain the contested delineation of a 'new phase' of capitalism after 1989.

Identifying the specific tendencies that constitute a particular phase can also help to avoid deriving specific constellations directly from the constitutive features of capitalism. In other words, there must be a clear distinction between an abstract model of the capitalist mode of production and the concrete variations within it. Thus, we need an analysis at an intermediate level in order to distinguish historical phases of capitalism and the related geopolitical phenomena on a world level that vary within them. However, we must also reconceptualise this analysis in contrast to earlier models of periodisation in order to capture the complexity of the world system.<sup>7</sup> This applies in particular to the always changing relationship between the 'economic' and the 'political', or between hegemonic and non-hegemonic phases in the world order, which I discuss below.

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5. For this reason they are subject to critique (Laibman 2005, p. 291). In reality, the specific phases I describe in the following section never appear in pure form. In each phase, one must identify the characteristic components of both past and future phases, components that are closely tied together. Thus, it is critically important to analyse a transformation from one phase to the next, for example in studying the 'organic crises' in Gramscian terms or crises in the 'mode of development' in a regulation theory sense. Theorising *structures* should be complemented by a theory of *transformation* within capitalism.

6. Jessop 2001c, pp. 11 et sq.; see Hirsch 2001; Candeias and Deppe, 2001.

7. Within the field of international relations, Bieler and Morton (2001) adopt a neo-Gramscian perspective to suggest an analytical approach similar to the one used here, in which they distinguish between macro-, meso-, and micro-structures.



### 1.1 *Excursus: On the relationship between structure and agency*

By distinguishing between the structural features of capitalism and historical phases as a foundation for studying specific historical constellations, we can now say something more about the relationship between 'structure' and 'agency'. If the term *structural features* indicates essential forms of capitalism that are reproduced by human agency and realised as institutionalised pressures to act, then the meso-analytical level of *historical phases* refers to how these structural features vary and manifest differently in the historical process (which in turn is shaped by human agency). The capitalist mode of production 'is no solid crystal, but an organism capable of change, and is constantly changing'.<sup>8</sup> Consequently, mine is not a structuralist analysis of society. Rather, an analysis of *historical constellations* suggests a need to account for the conscious actions taken by specific actors, even when these actions are 'structurally' pre-formed. Thus, taking appropriate consideration of the levels of agency can help to conceptualise the relevant role of power-élites and their strategic-political projects, class fractions, and anarchic and contingent developments within international relations.

Pierre Bourdieu attempted to capture the interaction of 'objective structures' and 'subjective' actions:

It is just as true as untrue to say that collective actions produce the event or that they are its product. The conjuncture [the constellation] capable of transforming practices objectively co-ordinated because subordinated to partially or wholly identical objective necessities, into *collective action* (e.g. revolutionary action) is constituted in the dialectical relationship between, on the one hand, a *habitus*, understood as a system of lasting, transposable dispositions which, integrating past experiences, functions at every moment as a *matrix of perceptions, appreciations, and actions* . . . and on the other hand, an objective event, which exerts its action of conditional stimulation calling for or demanding a determinate response, only on those who are disposed to constitute it as such because they are endowed with a determinate type of dispositions . . . Without ever being totally co-ordinated, since they are the product of 'causal series' characterized by different structural durations, the dispositions and the situations which combine synchronically to constitute a determinate conjuncture are never wholly independent, since they are engendered by the objective structures, that is, in the last analysis, by the economic bases of the social formation in question.<sup>9</sup>

A study of historical constellations must therefore seek to overcome the divide between structuralism/mechanical materialism/objectivism and intentionalism/idealism/constructivism, because neither set of approaches leads to an appropriate

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8. Marx 1996, p. 11.

9. Bourdieu 1977, pp. 82–3.

understanding of the complex relationship between subjective orientations on agency and structural power relations.<sup>10</sup>

Social change has to do with the *structural capacities* of actors to transform their surroundings.<sup>11</sup> The institutional context in which agentive subjects or collective actors move is extremely important, as the term ‘structural capacities’ suggests. We must therefore assume that different actors have different structural capacities available to them at any given time.<sup>12</sup> The specific ensemble of social relations creates various constellations that condition individual and/or collective actors, providing them with different potentials for action. In general, these different possibilities not only provide perspective on which actions are feasible. But, also, specific contexts present various options for action and pre-form those actions simultaneously – indeed, it is not until we first implement these options concretely that we confirm whether these possibilities can be realised or not. Here, the temporal horizon plays an important role. Thus, in the moments of acute social crises, that is, those crises that are perceived by the relevant actors as such, agentive horizons open up that previously had remained closed, or at least seemed to be.<sup>13</sup>

## 2. Hegemonic and non-hegemonic phases of the world order

A central issue in periodising the phases of capitalism is how to define historical capitalist formations and to distinguish them from one another. From a GPE perspective, it seems logical to periodise the history of international relations in terms of phases of the world order. We can understand each respective phase in the world order as a pattern of social forces that interact with and influence each other, in which specific and relatively coherent power constellations exert a considerable influence over a longer period of time.<sup>14</sup> Based on this understanding, we can identify three main phases in relation to substantial changes in the mediation of economic capacities, political institutions, and ideological and normative dimensions:<sup>15</sup>

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10. In his work, Anthony Giddens aims to overcome the dichotomy between structure and agency in that he understands each in their mutual ‘constitution’ (see Giddens 1984). Giddens’s fundamental assumption is that social relations are *reflexively* formed. By stressing agency as a form of sense making, structural pressures still cannot be ignored. Through their routinised and unconscious agency, subjects reproduce social structures (for further discussion on the structure-agency problem, see: Archer 1990, pp. 73–88; Callinicos 2004, pp. 38–106; Görg 1994, pp. 31–84; Hay 2002, pp. 89–134; Wright, Levine and Sober 1992, pp. 61–88).

11. See Callinicos 2004, pp. 96–106, 273–8; Hay 2002.

12. Hay 2002, p. 164.

13. Hay 2002, p. 165.

14. ‘[C]lass is important as the factor mediating between production on the one hand and the state on the other. . . . The same mediating role can also be examined at the global level. Here class formation and conflict mediates between the world economy of production and the interstate system. The classes that participate in this mediation have their origins in national societies, but form links across the boundaries separating national societies’ (Cox 1987, pp. 356–7.)

15. This study only addresses the ideological and normative dimensions (and the potentialities of each) in a cursory way.

- *1870–45: Classical imperialism.* This phase is based on the erosion of British quasi-hegemony that existed after 1815. It constituted a non-hegemonic era in which rival imperialisms challenged the British Empire. This epoch culminated in two world wars.
- *1945–89: Superpower imperialism.* As a result of the Second World War, a new confrontation overlaid the older conflicts, namely the East-West conflict. Both the hegemonic Pax Americana and the more dominance-oriented 'Pax Sovietica' shaped the structure of the world order.
- *Since 1989: New World Disorder.* While the collapse of the Eastern Bloc has allowed the United States to play a dominant role internationally, the specific context of intra- and inter-societal competitive relations and the global socio-economic instability has prevented this dominance from developing into a new global hegemony. The globalisation of the international economy has created new forms of rivalry.

These main phases can be further subdivided. For example, the end of the New Economy-boom in the year 2000 together with the events of September 11, 2001 marked a substantial shift in the New World Disorder, which we can understand as a specific *constellation* within this contemporary historical phase.

This sub-categorisation of historical phases in the world order is different from neo-realist theoretical approaches, for example: it acknowledges the geopolitical power relations in a given phase, but also connects them to the very socio-economic developments that to a certain extent have 'prepared' (but not determined) the transformations of those geopolitical relations. The economic rise of the German Empire or of the United States at the end of the nineteenth century, the growth of the Chinese economy today, or just as much the economic stagnation of the USSR from the 1970s on are examples of this. At the same time, geopolitical shifts take on their own independent significance. The combined and uneven development of the world system has led to repeated geopolitical conflicts over the last 200 years with epoch-defining consequences. In many cases, it was the actions in and of 'contender states'<sup>16</sup> that triggered these dramatic reconfigurations of the international system. This occurred, for example, after the collapse of French Absolutism and the subsequent Napoleonic Wars (wars that, despite being deeply shaped by the principles of precapitalist geopolitics, nevertheless facilitated the emergence of capitalism in Europe), as well as after the two world wars triggered by an aspiring German state (in East Asia, this applies to Japan). Likewise, the Russian Revolution of 1917 readjusted global power relations. In contemporary terms, moreover, the 'territorial' logic of power again has taken on considerable significance: the collapse of the Soviet Bloc, the largest geopolitical shift since 1945, led to considerable political and economic changes at the international level. This collapse created a power vacuum on its southern borders, a region that since has become one of the most important conflict zones for energy policy specifically and for the world order more broadly.

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16. See van der Pijl 2006.

Even if international economic developments and power relations within the international state system are connected to one another, it is still important to distinguish the phases of the world order tied to geopolitical and socio-economic power relations (for example, 1870–1945, 1945–89, and since 1989) from the phases of socio-economic development of the international economy. Keeping in mind the ‘great’ crises historically, I periodise these phases in the international economy thus: 1873–1929/1933, 1933–73 and since 1973. The great crises only indirectly caused each of the political shifts in the world order. For example, partly because there was no hegemonic power, and therefore no national and/or international institution that was capable of orchestrating an economic recovery, the 1929 stock market ‘crash’ led to the disintegration of the international economy and paved the way for the expansionist strategies of German fascism. Likewise, the crisis of the 1970s certainly initiated significant shifts in international politics, but it did not cause them directly. Those developments came to a close in 1989 with the collapse of the Soviet Union, which carried over into a new historical phase in the world order.

We can differentiate as follows between *hegemonic* and *non-hegemonic* phases of world order:

1. The structure of world order has been more predictable when it possessed a hegemonic character, that is, when it took the form of a hegemonic relation based on relative international consensus. Hegemonic relations on the international level are not solely based on the state order: ‘It is an order within a world economy with a dominant mode of production which penetrates into all countries and links into other subordinate modes of production. It is also a complex of international social relationships which connect the social classes of the different countries. World hegemony is describable as a social structure, an economic structure, and a political structure’.<sup>17</sup> Indeed, Gramsci elaborates that ‘hegemony is political but also and above all economic, it has its material base in the decisive function exercised by the hegemonic group in the decisive core of economic activity’.<sup>18</sup> Throughout the history of capitalism, it has always been a single state that led the formation of an international hegemony.<sup>19</sup> The ‘quasi hegemony’ of the British Empire after 1850 lasted 25 years; the American hegemony after 1945 was able to last longer, but

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17. Cox 1983, pp. 171–2.

18. Gramsci 1975, p. 183.

19. In contrast to state-centred approaches, Hübner suggests that international stability might also be produced by *several* international political actors: ‘Different from the theory of hegemonic stability posited by realism, the production of international economic stability is in no way tied to the existence of a hegemonic nation. Even in the case of a hegemonic nation like the US experiencing a relative decline in its position since the 1970s, the possibility exists in principle that the collective actions of a small number of actors can produce similar benefits’ (Hübner 1990, p. 82). However, this does not necessarily mean the end of conflict altogether. Based on this argument and on the theory of an internationalising ruling class, Alnasser et al. suggest that international hegemony should not be conceptualised as that of a single nation state, but rather as a *mode of development* (namely, as a more stabilised relation of an accumulation regime and a mode of regulation)’ (Alnasser, Brand, Sablowski, and Winter 2001).

was nevertheless limited to the 'West' and to parts of the 'South'.<sup>20</sup> In the 1990s, it seemed as if the US had developed into the world's first truly global hegemonic power – although, since 2000/2001, this assessment has increasingly been called into question.

Great Britain and the United States did not acquire their predominance on the basis of military superiority alone, but rather because they had previously established a relatively independent sphere of accumulation and regulation, 'that came together internationally so as to allow for self-sustaining, steady and strong economic growth'.<sup>21</sup> For a certain time, they became the leading centres of international flows of commodities, money and capital, controlled the production sectors that were key in the respective era, played the leading role in developing new technologies, and thus were able to set the norms for production and consumption: 'In the history of the modern state system, hegemonic relations were established when a given state was able to position its own model of society as the general example for the rest to follow, and to use its power to guarantee an international order, while also setting a perspective for stability and development for subordinate states and regions. Until recently – at least in the Western hemisphere – the US has accomplished this through Fordism. Its position did not only rest on military dominance, but also on a production and social system that essentially became the model for the entire world'.<sup>22</sup> Other national relations of production were co-formed through this hegemonic model.<sup>23</sup>

2. A *non hegemonic* world order has typically been the rule, not the exception. By focusing too much on transatlantic space after 1945, which is so common in the social sciences, it is easy to lose perspective of this basic fact. The relatively short lifespan of past hegemonic world orders was not only due to the uneven and crisis-prone development of the global economy, but also to the difficulty of developing a coherent regulatory system at the international or inter-societal level. The existence of competing individual states prevented this. For the same reason, we can safely say that analytical conceptions of a new 'global hegemony' as an expression of hegemonic social forces oriented on internationalisation but are not subject to the leadership of a single national state or bloc of states (for example, 'empire') will also fail the test of historical reality. Non-hegemonic world orders lack a centralised state power rooted within an individual state in which hegemonic relations can consolidate and be maintained over time. A coherent *state/*

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20. The term 'quasi hegemony' refers to a more limited hegemonic leadership, as compared with the power of the United States after 1945 (for an historical explanation of this term and comparison, see O'Brien 2003). In this context, O'Brien subjects to critique cyclical historical conceptions of both the theory of hegemonic stability and world systems theory.

21. Hirsch 2005, p. 104. Jessop clarifies this point in terms of neo-Gramscianism, that a hegemonic power ultimately must be able to base itself on the flourishing accumulation of productive capital (Jessop 1990, pp. 198 et sq.).

22. Hirsch 2005, p. 192.

23. Cox 1987, pp. 105 et sq.

*civil society complex* is difficult to establish and reproduce.<sup>24</sup> The international regulatory system is too weak for ruling social powers to integrate themselves into a common social project, to neutralise competition, and simultaneously to gain the recognition of these emergent relations among ordinary people.

In order to gain a closer understanding of these impediments, we have to consider other dimensions of the term *hegemony*: 'Hegemony not only involves *ideological* dominance in the sense of having generalised certain conceptions of social order and development. Rather, it is based as well on *political leadership*'.<sup>25</sup> The latter is more difficult to produce on an international level than within individual states, which in turn inhibits the production of international hegemony. Indeed, the current world order is thoroughly defined by the supremacy of 'neoliberal' economic and social policies under the leadership of the United States. While this supremacy has been firmly institutionalised in part, it has yet to develop into hegemonic *political leadership*. The fact that different capitalist states currently enforce what is essentially the same kind of neoliberal 'policy régime' does not mean an absence of sharply competing interests among those states or of the possibility for such to develop. Consequently, contemporary research faces the challenge of investigating specific constellations of potential economic and geopolitical conflicts among developed industrial societies in a context of US dominance. It is thus little wonder that, in the 1990s, in the context of overwhelming US supremacy and simultaneous economic stagnation in Japan and Western Europe, no other state or alliance of states (that is, neither Western European states and Japan, nor Russia or China, for example) attempted to 'balance out' the hegemonic power of the United States. At the same time, however, it remains an open question if this will remain the case.

Nevertheless, the notion of a contemporary, non-hegemonic world order cannot be interpreted as a simple repeat of the historical phase before 1945. The actors in a non-hegemonic capitalist world order may all be subject to similar institutionalised pressures throughout various phases. However, these institutionalised pressures take shape against the backdrop of varying historical contexts. Thus, the concrete form taken by international relations of dependency and competition changes over time. International competitive relations and geopolitical conflicts need not automatically escalate into wars, nor must relations of dependency result in formal colonisation.

Acknowledging the changing character of world orders leads to questioning the *mechanisms of transformation* and the *transition* from one world order to another.<sup>26</sup> As I elaborate below, there are and have been multiple factors at play in these transformations: for example, transition with respect to the relative strengths among the strongest capitalist states; the combined and uneven development of productive forces leading to power shifts; the power shifts between social forces within individual societies and the

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24. Cox and Schechter 2002.

25. Hirsch 2005, p. 192.

26. Cox 1987, p. 209.

emergence of new strategic projects and power blocs; and the development of 'continuent' historical events with geopolitical and/or economic consequences.

### 3. Phases of socio-economic development

If we start from the premise that the four principal structural elements of capitalism have expressed themselves historically in various ways, then it makes sense to talk of multiple *capitalisms*. With a model of socio-economic periodisation as established above, in this section my goal is to make some generalisable statements about the phases of development in highly industrialised capitalist countries. I distinguish various phases by paying particular attention to the 'great crises'. In addition, I identify the typical characteristics of historical development, among them the varying growth rates of the Gross Domestic Product (GDP).<sup>27</sup> Related to this, I introduce analytical tools to help define the specific characteristic features of a given socio-economic phase.

A central goal for this section is to provide an empirical underpinning for identifying and distinguishing between various phases. To accomplish this goal, first, I describe various types of capitalist accumulation and distinguish between dominant and late-developing economies. Second, I identify the historically varying inter- and transnational processes of economic actors that are specific to each phase, by looking at the empirical validity of inter- and transnational corporate structures and the transnationalisation of élites. Third, by explaining the phases in currency relations I attempt to sketch out another fundamental feature of capitalism in its historical development.

#### 3.1 *The rhythms of accumulation in the global economy*

When measured against GDP growth rates in the largest industrial societies, the following rhythms in development become evident:

- the phase of crisis in the 1870s and the subsequent growth from the 1890s up to the First World War
- the 1920s, interrupted only by a short phase of growth, which ended in a world economic crisis that was only resolved through an arms race and war
- the growth of postwar capitalism
- the phase since 1973 and the basic unstable trend in the real economy since then, despite short recoveries.

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27. I only marginally take up other variables of economic development that play a decisive role over the long term (such as the annual growth of fixed assets, profit rates, or labour productivity), the development of wage relations, and the pattern in the international division of labour (for example, 'colonial', 'Fordist', 'new international divisions of labor', 'transnational' divisions of labour, and so on).



Distinguishing various international economic rhythms of accumulation suggests that, despite significant differences in how national capitalisms have manifested themselves, the world economy has possessed a certain homogeneity.<sup>28</sup> The international economy has apparently been able to use its comprehensive dynamics to shape its individual constituent parts, even if to varying degrees. The ‘great’ structural crises (in the 1870s, 1930s, 1970s) expressed themselves as the unity of economic, social and political-ideological developments. Although the concrete causes of these crises were different, they serve as key points of reference for periodising the socio-economic developmental history of capitalism.<sup>29</sup> Each crisis has resulted in substantial economic and institutional changes, as well as in new articulations of class relations and power configurations. At the same time, power élites have been able to wage considerable resistance against the altered relations of accumulation and regulation.<sup>30</sup> Apart from these great crises, only the world wars have been significant enough to precipitate such rapid comprehensive reconfigurations of global power relations.

In order to periodise the developmental history of the world economy in a way that adds contour to the differences that exist between these periods, we can make use of several extant middle-range theories. In past decades, various scholars of regulation, for example, have crafted their own differentiation of capitalist phases.<sup>31</sup> They introduce intermediary terms in order to allow for selective characterisations of historical phases, such as: the *accumulation régime*,<sup>32</sup> whether predominantly intensive or extensive; the *mode of regulation*,<sup>33</sup> that is, the institutional forms, whether competitive or monopolistic, that serve to guarantee and secure macroeconomic coherence; as well as the respective forms of *production* and *consumption norms*.<sup>34</sup> Since then, regulation theory

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28. Brenner and Glick 1991.

29. See R. Brenner 2006; Duménil and Lévy 2001, and 2004a; Harman 1999a.

30. Duménil and Lévy 2001, pp. 151 et sq.

31. See Aglietta 1979; Lipietz 1988; for an overview: Alnasser, Brand, Sablowski, and Winter 2001; Görg 1994; Hirsch 2005). I do not address other periodisation models, such as ‘long waves’ theory (Mandel 1975, pp. 108–46), the approach of ‘social structures of accumulation’ (McDonough 1999), or neo-Schumpeterian models that place technological developments in the centre point.

32. A régime of accumulation is a ‘mode of systematic distribution and reallocation of the social product which, over a prolonged period, is able to coordinate transformations in the conditions of production . . . with transformations in the conditions of final consumption’ (Lipietz 1988, p. 23). A régime of accumulation essentially encompasses three aspects: how labour power is used in production; how wages are determined; and how the working class is reproduced (Aglietta 1979, pp. 69–70). How surplus value is produced and realised in historical and spatial terms can take various forms, which allows for distinct régimes of accumulation to develop.

33. A specific mode of regulation represents the ‘totality of institutional forms, networks, and explicit or implicit norms assuring the compatibility of behaviors within the framework of a regime of accumulation’ (Lipietz 1988, p. 25). It thus refers to a more comprehensive regulatory network than direct state apparatuses, such as the regulation of wage relations (employer federations, unions), money and credit, as well as the regulation of norms, values and worldviews (education systems, the media) (see Hirsch 1990, pp. 34 et sq.).

34. With any periodisation, multiple asynchronies must be considered: ‘a) between the dynamics of the regime of accumulation and the mode of regulation; b) within the mode of regulation



has faced a number of serious critiques.<sup>35</sup> Nevertheless, in the following discussion, I employ several components of its theoretical framework. For example, the distinction this approach makes between different types of accumulation is helpful for investigating economic development. Joachim Becker has elaborated three axes along which we can characterise different types of accumulation in their ideal-typical form,<sup>36</sup> which my discussion will follow:

### The axis of extensive and intensive accumulation

The starting point for these three axes is the premise that producing 'relative surplus value' is the central drive behind capitalist development. Aglietta uses this premise to develop the category of a *predominantly extensive régime of accumulation*. This type of régime transforms the conditions under which work is organised in ways that leave working people's lifestyle essentially unchanged.<sup>37</sup> In spatial terms, there is an expansionary logic to this fairly unstable configuration that at times is limited to purely economic concerns, and at other times it is more militaristic. There is a tendency in this category for productive industry (division I) to be dominant. By contrast, a *predominantly intensive régime of accumulation* transforms both production itself and social norms of consumption.<sup>38</sup> Even if an intensive régime of accumulation seems to promise more growth by more thoroughly integrating the working class, it nevertheless falls into crisis or can otherwise reach the limits of its own 'market expansion'. In both cases, there are

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between the individual institutional forms, as well as c) between the individual social formations that co-exist on a global level' (Alnasser et al. 2001, p. 26).

35. I can only summarise the critique of Aglietta's and Lipietz's approaches to regulation theory in schematic form here (for further discussion, see: Becker 2002; Jessop and Sum 2006, pp. 1–57). For example, Hirsch (2005, p. 87) subjects to critique the narrow perspective on the nation-state level, as well as the lack of consideration given to materialist state theory. In this context, Mike Davis recalls the state-regulated arms economy after 1945 and the impulses it provided to support growth, which Aglietta underestimates (see Davis 1978, pp. 249 et sq.). A further weakness in regulation theory lies in its downplaying of the fundamental 'horizontal' conflict within capitalism: 'Only the vertical axis receives... systematic treatment, not the horizontal axis [of competition]' (Becker 2002, p. 123). Robert Brenner also identifies how regulation theory neglects the drive towards international competition (see Brenner and Glick 1991, p. 113; R. Brenner 2006, pp. 13–40). Related to these critiques, reasonable doubt is cast on the analysis of crises offered by regulation theory. For example, the crises of the 1930s were not simply resolved by social struggles establishing a monopolistic mode of regulation (Aglietta 1979, p. 158). Military build-ups and the Second World War played at least as significant a role (Brenner and Glick 1991, p. 92). The crisis of US capitalism was resolved long before the overhaul of the relevant institutions of the 'monopolistic mode of regulation' (for a critique of the explanation of the next 'great' crisis, that of the 1970s, see R. Brenner 2006, pp. 99–142; Callinicos, 2001, pp. 233 et sq.). In Aglietta's work, a one-sided theoretical understanding of crisis dominates.

36. Becker 2002, pp. 64–77, 269 et sq.

37. Aglietta 1979, p. 71.

38. Aglietta 1979, p. 72. Aglietta assumes that in reality, both types (that is, extensive and intensive) are combined in each period in various ways, whereby one of the two types predominates. For this reason, I use the modifier 'predominantly'.

typically two strategies for confronting the problem: either accelerating the relocation of economic activity beyond the local market (such as export activity), or expanding the economically penetrable spheres within current accumulative space. With respect to this axis type, Alnasser et al. describe three phases of industrial development: a phase of predominantly extensive accumulation from the end of the nineteenth century to 1914, led by Great Britain; a phase of predominantly intensive accumulation that only stabilised itself after 1945 and lasted until the end of the 1960s; and finally the phase of ‘the crisis of Fordism’ and the search for a new mode of development.<sup>39</sup> In the ‘New World Disorder’ phase, a predominantly extensive régime of accumulation is again on the rise.

### The axis of extroverted and introverted accumulation

With the help of this distinction, we can better understand the spatial orientation of capital: *Extroverted* accumulation is generally focused on realising profit externally (for example, by opening new markets or securing cheaper resources abroad). *Introverted* accumulation, by contrast, orients itself on the domestic market. What needs to be determined in the analysis is the degree of foreign or domestic orientation of ‘the flows of various forms of capital: commodity capital, productive capitals, monetary capital’, which I discuss more precisely below with respect to foreign direct investment.<sup>40</sup> In the history of larger capitalist economies, the domestic market has played a decisive role in terms of the conditions that led to a successful ‘extroverted’ orientation, whereas the weaker economies have been more strongly influenced by external economic relations. Here, the asymmetries between the historically uneven development of capitalist societies have had a significant impact. New locations of production outside old spheres of influence have had a considerable impact on corporate investment strategies – in the last fifteen years this impact has been felt in the countries of the former Eastern Bloc, and above all in China and other parts of East Asia. As a consequence of the crisis of the 1970s and the weakening of the ‘Western-Fordist’ model concentrated primarily on the domestic market, emerging economies gained access to the ‘Northern’ accumulative flows.<sup>41</sup> These new centres of accumulation (to which I refer as *late-developing* economies) also developed into export-oriented economies because of the limits on demand within their own domestic markets. In so doing, they acquired the status of serious competitors to capitals in the metropolises, a fact that underscores the theory of a multipolar world.

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39. Alnasser et al. 2001, p. 31. Within the framework of the so-called competitive mode of regulation, as Brenner and Glick aim to show, intensive accumulation already plays a far more important role starting in the middle of the nineteenth century than many regulation scholars have acknowledged (1991, p. 75). Already at that time, mass production and mass consumption played a decisive role in capitalist reproduction.

40. Becker 2002, p. 70.

41. See Lipietz 1987, pp. 67–111.

### The axis of industrial- and finance-driven accumulation

In order to define this type of axis, a few preliminary comments are necessary: a schematic division between productive and finance capital is insufficient analytically to understand the actual movement of many individual capitals, because, in reality, these forms of capital are closely linked to each other. For one, many holders of monetary assets are active in trade and industrial sectors and vice versa. For another, the circulation of 'industrial capital' – a form of capital that traverses three forms of monetary capital, productive capital, and commodity capital, and is essential for the process of social reproduction – can only occur when money is either available or advanced.<sup>42</sup> The circulation of industrial capital takes on its characteristic elasticity only through the mechanism of credit and the sale of stocks or loans.<sup>43</sup> On the financial markets, or in trading commercial paper, finance capital can attain a *fictitious* character when we are talking about the accumulation of negotiable claims to income based on future realisation. Along with interest-bearing loan capital, fictitious capital also functions as finance capital.

Thomas Sablowski describes the fallout of the great crisis of the 1970s in terms of the shift in balance between industrial- and finance-driven accumulation: 'In functional terms, flows of industrial capital, interest-bearing loans, fictitious capital, and derivatives build upon each other. Together they form a pyramid that – if we consider development since the 1970s – seems to have been turned on its head. With the crisis in Fordism and the deregulation, liberalisation, and globalisation of the financial markets, the accumulation of finance capital was spurred on in comparison to the accumulation of industrial capital'.<sup>44</sup> The consequences of this shift in favour of finance-driven accumulation have been interpreted in different ways. For example, Boyer sees the possibility for world capitalism to stabilise itself given the tendency toward developing a 'finance-driven regime of accumulation'.<sup>45</sup> With the increase in the relative significance of financial assets, other scholars, such as Brenner, Harvey, and Arrighi, see a context of a rather unstable, stagnant development of real accumulation processes in the capitalist centres overall, and rightly so in my opinion (with the very important exception of China). At the same time, finance-driven accumulation generates instabilities that had and continue to have reverberations both on the real economy and on international power relations between states and regions.

The various combinations of these types of accumulation in individual economies, taken together with the diverse ways to regulate economic relations, suggest multiple

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42. The categories of finance, commodity, and productive capital are only possible for Marx at the (abstracted) level of *total social capital*. In the reality of *many individual capitals*, these functions of capital are usually combined (Bryan 1995, pp. 94–5).

43. Sablowski 2003, p. 203; compare Heinrich 2003a, pp. 284–305.

44. Sablowski 2003, p. 205.

45. See Boyer 2000.

national and regional trajectories for developing productive forces. Variation in capitalist development within different countries and regions is thus the rule, not the exception, and simultaneously constitutes an important factor shaping the competitiveness of modern economies.

### 3.1.1 *Dominant and late-developing economies*

Although the model discussed here presents different phases of socio-economic developmental history chronologically, this development has not proceeded in the same way for each capitalist country. Thus, within a given historical phase we can differentiate between *dominant* or even *hegemonic* economies and *late-developing* ones. Certain countries, such as Great Britain from the mid-nineteenth century or the US in the twentieth century, held a distinct advantage over other countries in the development of productive forces. These dominant countries were able to direct key global economic developments either hegemonically or as dominant economies using pressure tactics. In so doing, their own developmental dynamics compelled them to allow other countries to ‘participate’ in their advance (for example, by transferring technical or organisational know-how). Impulses emanating from dominant economies mean something completely different for certain highly developed capitalist countries than for underdeveloped ones. These ‘late-developing’ economies – before the First World War, these included the United States and Germany; after the 1930s this included above all France, Japan, Germany again, the Soviet Union; and, today this includes China – were able to profit disproportionately from technology transfer because they were in a position technologically to imitate or use licenses to acquire the necessary practical knowledge fairly cheaply. Moreover, in comparison to the dominant economies of their day, they possessed a more flexible labour supply (mostly in the agricultural sector) and a more favourable wage-cost ratio. Nowadays, the restructuring of productive capital in East Asia especially benefits China’s industrial development, thereby raising the status of the most populous country on earth as an innovative, internationally relevant, and strategic location in what was once the ‘periphery’.<sup>46</sup>

The downside of developmental impulses in late-developing economies is that such development has often led to a slowdown of accumulation in the dominant economies. This was the case in Great Britain after the 1870s or the US from the mid-1950s, for example, in large part because individual capitals from these dominant economies participated in the expansion of industry and/or other sectors within late-developing economies.<sup>47</sup> Foreign Direct Investment (FDI) or capital exports from the dominant economies increasingly flowed to late developing economies. On the one hand, this meant that accumulation within the late-developing economies was subject to additional impulses emanating from

46. Lüthje 2004, p. 69.

47. For discussion on Great Britain, see Arrighi 1994, pp. 269 et sq.; O’Brien 1999, pp. 62–77; on the US, see R. Brenner 2006, pp. 52–66.

the dominant economies, and on the other, that technical and organisational knowledge was imported along with direct investment, which formed the foundation for significant increases in productivity. In this way, dominant economies stimulated the accumulation process of late-developing economies. This is again the case today with China's economy, which has profited from extensive FDI. Yet, the shifts in the world economy related to this growth can lead to geopolitical conflicts (see Part Three).

Still, competitive struggle between economies is not a zero-sum game. There is also nothing automatic about how late-developing economies come to *overtake* dominant ones. The discussion of Japanese economic growth in the 1980s serves as a perfect example of this: The 'Japanese Model' (and so-called 'Toyotism') – with its characteristic long-term perspective on investment, its *dirigiste* industrial policies, the Keiretsu corporate groups, a financial system based on the power of its banks, and so on – was once held up as the future of capitalist development. Yet, by the beginning of the 1990s, many investments were exposed as overinvestments, which led to a crisis in the stock and real estate markets, and the Japanese economy fell into a period of prolonged stagnation. In the end, the 1990s ended up being an 'American' decade, not a Japanese one.

### 3.2 *The inter- and transnationalisation of trade, investments, and production*

In the following discussion, I describe historical phases in the relationship between the internationalisation of individual capitals and their national or regional fixing. This requires taking as a starting point the various *cycles of openness* within national economies.<sup>48</sup> I make a distinction between four developmental phases that correlate relatively closely with the periodisation of the 'great' crises and changes in GDP growth rates:

- 1873–1914: a phase in which we see a shift towards globalisation still dominated by capital remaining fixed to nation states
- 1914–45: a phase of downturn for international flows of capital and of the close integration of the nation state and corporate investments
- 1945–73: a phase in which tendencies towards internationalisation and nationalisation balanced each other out somewhat
- since 1973: a phase in which inter- and transnational integration has come to the foreground, but is still dependent on the national and/or macro-regional fixing of capital.

The tendency of individual capitals to act on a global scale has accelerated and deepened considerably over the last 150 years.<sup>49</sup> Conquest of foreign markets, overcoming

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48. Altvater and Mahnkopf 1996, pp. 22 et sq.

49. I am not referring here to the international integration of finance markets. However, I should mention that the historical integration of these markets has produced huge swings tied to constantly changing institutional contexts. I also do not address the relatively shallow integration

trade barriers, avoiding swings in currency exchange rates, the search for cost-efficient production locations, and so on have all formed essential factors shaping the process of internationalisation. At the same time, the inter- and transnationalisation of capital has also always had a counterpart, namely the ongoing and internally transforming significance of local, macro-regional, and above all national organisation of capital *and* its markets. With respect to the 'globalisation' of commodity trade (or 'realisation levels') and the relocation of investments and production ('production levels'), we can establish the following points:

### 3.2.1 *The internationalisation and macro-regionalisation of commodity trade and commodity sales*

Among the OECD countries, international commodity exports as a proportion of the international gross domestic product have risen from 5.2 per cent per year in 1850 to 11.9 per cent in 1913. Between 1914 and 1945, this same proportion fell, whereas by 1950, it returned to 7.1 per cent. In the following decades, international trade expanded at an enormous rate. By 1993, it reached 17.3 per cent of international GDP.<sup>50</sup> Currently, one third of international trade takes place within multinational corporations and another third between them. Despite the considerable reduction of trade barriers (such as duties) and transport costs over the last few decades, this increase in trade has not led to comprehensive *global* integration. Geographical, social, and political frictions continue to act as barriers to international trade.<sup>51</sup>

With respect to commodity trade, a triad structure of North America, East Asia, and Western Europe has existed since the 1960s.<sup>52</sup> Since then, nine industrial economies

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of labour markets (see Hübner 1998, pp. 67–84). The development of profit rates, interest rates and prices suggests the sort of 'rough' space that the capitalist world system creates and occupies. In contrast to interest rates, which are more directly influenced by world market developments than profit rates and tend to equalise, profit rates vary more sharply in specific branches of the economy in various locations, which reflects the ongoing influence of territorial contexts. Still, even with respect to interest rates, the predominant theory of convergence needs to be relativised (Herr and Hübner 2005, p. 32). Likewise, we cannot assume unified prices, even if a market opening and the internationalisation of production generates at least a tendency towards price convergence (Herr and Hübner 2005, p. 20).

50. Hübner 1998, pp. 59 et sq.; see Maddison 2001, pp. 99, 127. National *export rates* (the per cent ratio of exported commodities and services in relation to the national GDP) have grown over the last decades (Beisheim et al., 1999, pp. 266 et sq.). The export rate for the US has shown an upward trend since the 1970s, while Japan's has risen to between 10 per cent and 15 per cent. The Federal Republic of Germany has seen a significant increase from 20 per cent to about 40 per cent.

51. Frankel 2004, pp. 4 et sq., 27–8.

52. However, it is no longer possible to limit this triad to simply the US, Japan, and Germany and 'their' respective macro-regions as the epicentres: 'The triadification of the world economy has created space for a type of *balkanisation*. Established regional centers have come under pressure and face sharper competition from each other than before. New actors [such as China] have stepped onto the stage, leading to oligopolistic competition that is becoming more intense' (Hübner 2006, p. 131, original emphasis).

account for some 60 per cent of all world exports.<sup>53</sup> Currently, *intra-regional* trade predominates both within the North American Free Trade Agreement (NAFTA), the European Union, as well as in the growth regions of East Asia.<sup>54</sup> A study of export markets for 380 of the 500 largest multinational corporations in 2000/2001 suggested that up to 80 per cent of sales on average are made within the respective macro-regional markets (North America, Western Europe, and East Asia), whereby sales within national markets predominate.<sup>55</sup> Many of the largest corporations are thus dependent on following macro-regional strategies in order to realise profits. This suggests, as well, that these strategies depend on political-institutional parameters at the regional level.<sup>56</sup> For this reason, I take the position that significant capital fractions have a strong interest in political regulation that is institutionally anchored at the macro-regional level.<sup>57</sup>

### 3.2.2 *The inter- and transnationalisation of investments and production*

Until 1914, corporate internationalisation had also developed quickly with respect to levels of production. International direct investment was concentrated primarily within the developed economies. The colonialist international division of labour (the trade of raw materials, agricultural products, and industrial goods between the peripheries and the centres) had already created a 'network of core industries on the production side' within the centre. Seen in quantitative terms, the volume of production resulting from foreign direct investment as a proportion of the entire world production reached a rate of 9 per cent in 1913. Between 1914 and 1945, this rate declined in parallel to the decline in

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In the last few years, trade has increased between the so-called BRICs (Brazil, Russia, India and China) and other emerging economies. The shift in trade structures has been accompanied by a number of bilateral accords between the BRICs and the coalitions of emerging nations (which have had a lasting impact on the trade structures of the WTO) (Schmalz 2006).

53. See Hübner 1998, p. 216; Rugman and Verbeke 2004.

54. See Hay 2005, pp. 255 et sq.; Ravenhill 2005, pp. 138 et sq.

55. Rugman and Verbeke 2004, pp. 3 et sq.; compare Ruigrok 2005. Only 36 of the 380 corporations studied reach a 'bi-regional status' in terms of sales, that is, they sell at least 20 per cent of their product in *two* of the three parts of the triad (such as McDonalds, Unilever, Bayer, Aventis). Only 10 corporations can be genuinely described as 'global', because they sell at least 20 per cent of their product in all three parts of the triad (such as Nokia, Intel, Sony, Flextronics). The majority of these 'global players' in terms of sales are found in the IT and high-tech sectors. An additional group of 11 corporations comprise the so-called 'host region' corporations that realise at least 50 per cent of their sales in another part of the triad (see Rugman and Verbeke 2004, pp. 3–18; Rugman and Collinson 2005, pp. 158 et sq.). DaimlerChrysler serves as an example of a bi-national company or a so-called 'merger of equals'. In fact, the international activities of this particular corporation [before it broke up] continued to be led primarily by a national space (that is, Germany). Because DaimlerChrysler achieved more than 50 per cent of its sales in North America, it fosters and values stable relations with the US state.

56. See Decker and Mildner (2005) for discussion on politically regulated trade conflicts within transatlantic space.

57. See the study on the European Roundtable of Industrialists by van Apeldoorn (2000).



world trade. Not until 1991 were the values from 1913 reached again.<sup>58</sup> In the meantime, the relocation of investments had far surpassed all previous values.

In the following section, I look more closely at the particular significance of *foreign direct investment* (FDI) in contrast to *portfolio investments*, which are often quantitatively more significant, although mostly oriented on short-term gains.<sup>59</sup> Kurt Hübner identifies two forms of international economic integrations. *Shallow integration*, characterised by market relations via the international trade of goods and services and by cross-border capital flows, typically results in shorter-term networks. *Deep integration*, characterised by FDI, often leads to 'longer-term linkages among economic actors from various nations and among various functional spaces ... In the end, this simple criterion of the timeframe and the steady fixing of economic trade relations and links masking the breakdown in various parts in the value chain decides whether international economic integration takes place merely at the level of the market or exchange, or whether it expands to the level of production, as well. In the latter case, if integration reaches the point of close links between national production points on a global scale, we might then start to talk of an internationally integrated production system'.<sup>60</sup>

Since the 1980s, there have been high growth rates in international flows of FDI. Between 1982 and 2004, the international volume of FDI grew from \$628 billion to \$8.9 trillion. The steep annual growth in FDI after 1997 came to a standstill in 2001. After that, it has fluctuated around the values set in the mid-1990s.<sup>61</sup> However, the enormous growth in FDI is divided in highly uneven ways from region to region: at the beginning of the twenty-first century, the EU, US, and Japan accounted for more than two-thirds of the *inflows* of FDI.<sup>62</sup> Other sectors of the international economy have barely been touched by this development, with the important exception of East Asia. From an historical perspective, the international regulatory framework for FDI has only slowly been liberalised.

When we examine international investment activities, we can identify its overwhelming *macro-regional* character. Macro-regionalisation forms a core of the globalisation

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58. Hübner 1998, p. 67.

59. Foreign direct investment comprises capital flows that move beyond national borders, which can then be statistically measured when a foreign investor (usually in the form of stocks or loans) acquires 10 per cent or more of the private capital of a given corporation, leading to the supposition that the investor is now in a position to exert a certain influence on the direction of the corporation (Herr and Hübner 2005, p. 19; see also Hirst and Thomas 2002, pp. 76–87). At a level of 10 per cent or less, we are talking about portfolio investments. An increase in portfolio investments generally means that the investor has little or no influence on the direction of the corporation (see Hübner 2003, p. 108; Herr and Hübner 2005, pp. 39 et sq.).

60. Hübner 1998, p. 151.

61. UNCTAD 2005, pp. 3, 14.

62. Hübner 2003, p. 104. 'The US plays an increasingly important role as the host country for foreign investments: the proportion of FDI flowing to the US has grown from 13.1 percent to 19.3 percent. Although Japan has become more significant, its proportion of FDI inflows remains at just below 1 percent' (Köhler 2004, p. 35).



shift.<sup>63</sup> For example, FDI from EU countries is overwhelmingly located within Europe. Different from earlier phases of European integration, European actors have dominated the direct investment process since the 1990s, while FDI from the US to Europe has experienced a relative decline in significance. German FDI is particularly important.<sup>64</sup> When seen as a whole, then, the reality of the world economy is still far from being a globally integrated production system, even if individual segments are closing in on that point. In 1995, FDI as a proportion of GDP in the economies with the highest FDI growth rates stood at about 1 per cent.<sup>65</sup> In 1992, international inflows of FDI as a proportion of the composition of international capital stock averaged 3.7 per cent, as against 1.1 per cent in 1960. Between 1998 and 2003, 13 per cent of capital stock was in foreign hands.<sup>66</sup> Especially within the EU, the ratio of international inflows to total domestic investments has risen considerably. Meanwhile, the practice of the US using foreign subsidiaries to exert its dominance has weakened over the last 30 years.<sup>67</sup> In 1970, corporations headquartered in the US held over 80 per cent of the world's subsidiaries operating in international contexts. In 1998, they controlled only 29 per cent of the same, as compared to 23 per cent held by Japanese corporations and 18 per cent held by German ones.<sup>68</sup> This is one source of evidence supporting the thesis of a relative (economic) decline in power for the US with respect to Western European and East Asian capitalisms.

Obviously, a considerable amount of FDI in another country amounts to economic power, which 'external' political influence in turn can support or expand. 'In a quasi tripling of the US's famous backyard concept, all three members of the triad have consolidated their direct investment relations within narrow regional spaces, such that each triad member dominates within its respective space'.<sup>69</sup>

In the last few decades, the growing number of border-crossing transactions especially within, but also less so between, the 'triad' members indicates an *increase in interdependence* of national economic spaces that are increasingly networked at a macro-regional level. Furthermore, inter- and transnational capital movements presuppose the

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63. See Dieter 2005, pp. 194 et sq.; Freeman 2004, pp. 54 et sq.; Held and McGrew 2002b, pp. 38 et sq.; Hirst and Thompson 2002, pp. 66–76, 114–21, 228 et sq.; Jessop 2002, pp. 181 et sq. Here, we can distinguish between *regionalism*, that is, the inter-governmental, *political* cooperation of individual states, which can take on supranational forms, and *regionalisation*, that is, the growing *economic* interdependence of individual capitals (see Ravenhill 2005, p. 117).

64. Hübner 2003, p. 105.

65. Hübner 1998, p. 155.

66. Glyn 2006, p. 100; compare Koechlin 2006, pp. 375 et sq.

67. The existence of international subsidiaries can go hand in hand with a loss of power for the 'host country'. Still, this also depends on how powerful the respective host country is. In the strongest industrial societies, legal regulations can deter international corporations from developing strategies that, from the perspective of local state institutions, might damage their own economy. Fewer developed capitalist countries are able to use political interventions to partially limit the influence of transnational corporations under certain circumstances.

68. Kentor 2005, p. 271. The surprisingly high Japanese proportion suggests that its control over subsidiaries has remained stable, despite the stagnation there in the 1990s.

69. Hübner 1998, pp. 222–3.

reproduction of capital being anchored *in a particular space* and protected by political institutions. That is, corporations must be supported by the state and civil society so that they can operate successfully on global markets.<sup>70</sup> Currently, what matters ‘on the world market, given comparable quality and what have now become internationally typical designs, are the monetary costs of commodities. Calculated in rough terms, these costs depend on: 1) labour productivity; 2) wage costs; 3) currency exchange rates; 4) of course, state subsidies distributed by “localities” to support and to protect their individual economic standing; 5) the extent to which public goods are useful and usable, and 6) the potential to “externalise” otherwise private costs as social ones in the global environment’.<sup>71</sup> This means that individual states have the potential to influence at least four of the six factors of corporate competitiveness on the world market. Thus, ‘globalisation’ also means the *competitiveness of localities*.<sup>72</sup> The tendency towards the inter- and transnationalisation of capital accumulation requires that individual states develop international, regional and national strategies that correspond to and/or accommodate the interests of individual capitals operating in each respective locality in order to *reproduce themselves*.<sup>73</sup> Seen in historical terms, the formation of regional and international political organisations has facilitated this state interest, at least from the perspective of the strongest states, even if conflict has developed repeatedly within these organisations.

### 3.2.3 *On the inter- and transnationalisation of corporations*

Any analysis of geopolitical phenomena should also consider how corporate organisations change over time, because such changes influence both competitive economic relations and political institutions. According to one widely held position, transnational corporations (TNCs) dominate the world market today. Such corporations are increasingly independent of aid or support provided by a given nation state. Given this independence from national borders and interventions, transnational corporations structure their own spatial economy. In this section, I test the empirical validity of this position.<sup>74</sup>

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70. Likewise, we cannot forget that international *institutional frameworks* and the changes they experienced co-determined the forms that internationalisation took after 1945. These frameworks were created in turn by the dominant economies under the hegemonic leadership of the US (such as the IMF, World Bank, GATT and later the WTO).

71. Altvater and Mahnkopf 1996, p. 41.

72. The competitiveness of national localities suggests the continued importance of nationalism (namely, as a factor of social integration). Thus, nationalist discourses concentrate on increasing their respective international competitiveness and international standing. ‘Good’ economic performance indicators have become the object of ‘national pride’.

73. Here, we must keep in mind that various individual capitals or capital groups within various economic sectors of a given national economy maintain different kinds of connections to the world market. Thus, they hold entirely different expectations for political regulation and protection. Consequently, the process by which capital interests transform into state policies is always contested.

74. However, I do not address the level between the individual corporation and the market, that is, the level of *cooperative strategic alliances among corporations*, which have taken on increasing

The Transnational Index (TNI), which the United Nations Conference on Trade and Development (UNCTAD) has calculated since the early 1990s, is used to measure the so-called degree of *transnationality*.<sup>75</sup> Among the 100 largest TNCs, there are significant differences in the levels of transnationalisation reached: '[T]he values for Japan fall between 33.6 percent and 40.6 percent and for the US between 41 percent and 51.1 percent. In both cases, these are countries with large domestic markets. By contrast, the values for the Netherlands come in between 72.8 percent and 86.7 percent and for Switzerland as much as 78.2 percent to 98.2 percent. In these two cases, these countries have relatively small domestic markets such that corporations increasingly expand transnationally from their home countries in order to increase profits through sheer scale. TNI values are disproportionately high in the UK, as well, which can be explained by the long tradition there of foreign economic activity'.<sup>76</sup> The degree of transnationalisation fluctuates considerably within the framework of differing market and institutional contexts. In addition, the 100 largest corporations are concentrated in regional and sectoral terms: some 90 per cent of these companies are found in the so-called triad countries; as regards the type of corporation, automobile, electronics, telecommunications, and oil corporations dominate this list and thus have a great deal of influence at their disposal.<sup>77</sup> Moreover, the gap between the largest and smallest of these 100 corporations has grown: the largest among them transnationalise at a faster rate than the smaller ones.<sup>78</sup>

These UNCTAD reports reflect a certain optimism about globalisation: for example, the sample of the 100 largest TNCs does not comprise, 'as might be expected, the "largest transnational" corporations in the world, but rather the "most trans-nationalised" corporations'.<sup>79</sup> That is, missing in UNCTAD's reports is a closer examination of how FDI for the largest corporations is distributed with respect to their macro-regionalisation (for example, FDI from the German market invested in other EU states). Similarly, there is little discussion of the sort of connections these corporations have to their 'home market' and to their 'home state'.<sup>80</sup> Such discussion would reveal that, on average, between one

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significance over the last few decades (and which increasingly occur at the transnational level; see Beisheim et al. 1999, pp. 316 et sq.). This particular level might be seen as a counter-trend to the argument I make here.

75. The TNI is calculated as the arithmetic mean of three ratios: foreign assets as compared to entire net assets; foreign sales as compared to gross sales; and foreign employees as compared to entire workforce employed. A TNI of 50 per cent means that on average one half of a given corporation's net assets, sales, and employees are abroad.

76. Köhler 2004, p. 42.

77. Kentor 2005, p. 272.

78. UNCTAD 2005, p. 17. In contrast to the 100 largest economic actors, there is a considerably smaller degree of transnationalisation among average-sized corporations and, in particular, national economies (with respect to their openness), as we might expect. Here, it is often smaller economies, such as Belgium or Luxembourg, that have reached the highest degrees of openness. The average value of among developed economies in 2002 stood around 11 per cent (UNCTAD 2005, p. 15).

79. Köhler 2004, p. 32.

80. See Renntisch 2002.

half and two thirds of sales among transnational corporations continue to be generated in their home markets. Of course, this trend towards regionalisation does not prevent a small number of corporations from acting on a truly global scale and in virtually every global-regional space.

On average, corporate dependency on state and regional political intervention is still particularly strong.<sup>81</sup> Even those corporations that have built global networks are not entirely 'detached', because these networks present complex problems regarding leadership and control that require political regulation.<sup>82</sup> In order to paint a realistic picture of this phenomenon, we need to differentiate between different types of corporations in terms of their degree of internationalisation. Drawing on a number of empirical studies,<sup>83</sup> it is possible at least to identify these ideal types:

- *global corporations*, which have formed worldwide networks of production and possess intensive super-regional trade networks within the corporation and for sales;
- *global-regional corporations*, which are highly internationalised, yet concentrate their capital flows within macro-regional spaces (such as the EU), in contrast to global corporations;
- *supra-regional corporations*, which have outgrown their home market, but act within *one* macro-region with a division of labour in their respective production and distribution networks limited to that macro-region;
- *national corporations*, whose production networks are deeply rooted in a national space and which concentrate their activities predominantly on national and/or regional markets. Production, realisation, and reinvestment take place overwhelming within a single national economy.

The large number of regional and national production systems suggests the broad importance of *production requirements* and *structural pressures* (produced by territorially fixed productive capital or high logistics costs, which can rise due to increased distance or the differences in infrastructure across various regions) that are specific, territorialised, and tied to the state (not necessarily the central state). Studies of industrial clusters and locally or regionally networked industrial zones have demonstrated this.<sup>84</sup> In contrast to the dominant theory of 'homeless' corporations, what in fact predominates is a series of corporation types that are internationalised to various degrees and structurally depen-

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81. See Ruigrok 2005, pp. 203 et sq.

82. Hübner 1998, p. 229.

83. See Hübner 1998, pp. 127–43; Hübner 2003; Bryan 1995, pp. 83–102; Rugman and Verbeke 2004.

84. Regarding Silicon Valley, see Lüthje 2001; for general discussion, see Swyngedouw 2004.

dent on state regulation and/or local, national or macro-regional institutional contexts in different ways.<sup>85</sup>

The contemporary debate about corporate inter- and transnationalisation suffers from important gaps in the structure of its argument. The question of whether 'national' and 'foreign' capital even exists anymore has not yet been answered satisfactorily: we cannot derive the 'national' character of a corporation simply from the nationality or citizenship of its owners or CEOs. Nor does the location of its corporate headquarters or the primary focus of its productive activities or sales markets sufficiently determine this character. The potential for management to be globally decentralised (given advanced telecommunications) and for production to internationalise at least calls into question the entire concept of a 'national' corporation. What gives many individual capitals their predominantly 'national' character is not the (partly relativising) factors I just mentioned, but rather the mutual dependencies they share with political institutions. There are a variety of corporate economic processes that depend on individual state interventions, concessions, legal measures, state aid, and so on. This is true as well in the 'neoliberal' phase of capitalism, whereby 'liberalism' in no way implies being freed from politics. 'US firms find that there are very real benefits to remaining distinctly American that stem from the power and functions of the national state... for example, that the US dollar still largely remains a key medium of international trade, that regulatory and standard-setting bodies like the Federal Aviation Administration and the Food and Drug Administration are world leaders and work closely with US industry, that the US courts are a major means of defence of commercial and property rights throughout the world, that the federal government is a massive subsidizer of R&D and also a strong protector of the interests of US firms abroad'.<sup>86</sup> Nowadays it is possible to say that, on average, the majority of corporations continue to act primarily in national and/or macro-regional spaces – even if 'capital' in the first instance expresses a social relation 'driven' not by the 'national interest', but rather its 'self interest' in the highest possible rate of profit. At the level of an individual nation state, this can only lead to the development of (contested) *national* economic interests (and in macro-regional space, a corresponding development of 'European' interests, for example). This process is evident in the economic policies of EU states regarding national trade balances and currency sovereignty. Trade balances continue to be seen as important because national economic policies are based on them and economic goals are discussed in relation to them.<sup>87</sup> In this way, 'national economies' are reconstituted and reproduced over and over as coherent entities, which simultaneously overlaps with internal social conflicts.

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85. See also Renntisch 2002; Mair 1997. Interesting here is the finding that some of the most transnationalised corporations, such as Nestlé, Ciba-Geigy, or Phillips, originate in locations (Switzerland, the Netherlands) in which the state has comparatively little international influence in economic and geopolitical terms.

86. Hirst and Thompson 2002, p. 273.

87. See Bryan 1995, p. 135; 2001.

### 3.2.3.1 Interim conclusion

Taken together, the extant literature has focused on a complex nexus of various corporate types and corporate strategies. In connecting this to the discussion of economic structural relations and geopolitical phenomena, we can draw the following conclusions.

Individual capitals and their respective corporate entities continue to depend on political-institutional resources of individual states, in particular, and/or (and until recently to a lesser extent) on macro-regional and supranational institutional arrangements. Should microeconomic corporate behaviour continue to shift towards greater transnationalisation, this dependency will still hold, but in modified form. A larger number of TNCs already try to secure regulatory aid from multiple states and/or international political institutions, and thus find themselves caught up in new dependent relations with these institutional frameworks.

Because this trend is ongoing, it is impossible to draw short-term conclusions about the relation between *microeconomic actions* and *macroeconomic contexts*, for example. An analysis that concentrates on specific actors in economic processes (corporations) should not downplay the fragmented, macroeconomic nature of market and valorisation relations, nor the fact they are institutionally embedded in multiple separate power centres. In short, we cannot draw conclusions about macroeconomic contexts simply by aggregating microeconomic behaviour.

It is possible for considerable differences to emerge between the microeconomic interests of corporations and the economic policies of state institutions, which are often shaped by macroeconomic considerations. This potential exists in part because these collective actors must follow different criteria to ensure their own reproduction. Even when corporations are thinking and acting more ‘globally’ (and thus orient themselves on the infrastructural aid provided by multiple states simultaneously), individual states will still have to take internationally competitive ‘national’ or ‘domestic’ capitals as their starting point (and maintain lasting connections to them), because they are structurally dependent on successful capital accumulation within *their* territory. This dependency expresses itself, for example, as an interest in maintaining a tax base. That is, the need for national or macro-regional innovation systems to compete is not merely an historical remnant.

Moreover, we can speculate that political influence rooted in transnationally oriented corporations or in transnationally oriented capital groups does not automatically translate into political dominance within state apparatuses. Whether and in which form capital interests are able to exert a specific kind of influence over state policy is an empirical question that must be proven at the level of a specific historical constellation.

### 3.2.4 *Transnationalisation of classes?*

As discussed earlier, ‘vertical social conflicts’ can be understood as a central feature of capitalist societies. The always-changing relations between the two primary classes

under capitalism, wage labour and capital, had been consolidated within individual nation states. Yet, already by the end of the nineteenth century, *temporary* 'transnational' class activity could be identified that simultaneously influenced the policies of state alliances, expressed itself in the 'global' interests of finance capital, or fostered international workers' solidarity.<sup>88</sup> From its inception and in various forms throughout its historical development, the global capitalist system has been shaped by articulated relations of competition, conflict, *and* inter- or transnational cooperation.

Theories of the *ongoing* transnationalisation of classes and class activity have developed within scholarly discussions. They pay particularly close attention to those capital fractions oriented on the world market, but also to transnational political-bureaucratic apparatuses, globalised epistemic communities, and elites in consumer markets (such as trade and media).<sup>89</sup> Theoretical approaches that view globalisation optimistically tend to assume that the transnationalisation of trade among powerful social actors will lead to greater integration in the form, for example, of a 'cosmopolitan' world.<sup>90</sup> Other approaches that emphasise the particular significance of social forces 'beyond' the state level tend to use the language of class more explicitly: the nation-state phase, according to this perspective, has been replaced by a transnational phase: 'Global class formation has involved the accelerated division of the world into a global bourgeoisie and a global proletariat'.<sup>91</sup> Leslie Sklair emphasises even more sharply the enormous power of a 'transnational capitalist class' (which he consciously defines in the singular): 'Members of the transnational capitalist class drive the system, and by manipulating the design of the system they can build variations into it'.<sup>92</sup> According to Harris, the central international conflict today is 'between globalism and nationalism'.<sup>93</sup> From this perspective, the Bush administration represented the interests of a section of the ruling class oriented on the nation state versus the majority of globally oriented US corporations.

Among neo-Gramscian theorists, Robert Cox has advocated a similar position. Cox has sharpened his earlier thesis of an 'international historical bloc' as the bearer of Western post-war hegemony in the 1990s, and describes a global class structure with a 'transnational manager class' at the top.<sup>94</sup> According to Cox, the analytical starting point of a 'global society' in which the 'global elite' shapes the social order is becoming increasingly important.<sup>95</sup>

In fact, it is possible to verify these novel forms of transnational class activity, political coordination, and so on empirically. Instead of simply dismissing 'global governance' as

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88. Polanyi 1973, p. 43.

89. Sklair 2002, pp. 98 et sq.

90. See Beck 2004.

91. Robinson and Harris 2000, p. 17.

92. Sklair 2002, p. 115.

93. Harris 2004, p. 657; compare Beck 2004, p. 112.

94. Cox 1993, p. 261.

95. Cox 1998a, pp. 110–11; compare van der Pijl 2001.



a merely ideological phenomenon, it is important to view it as a form of institutionalised political coordination that does not resolve competition, but rather extends it. The weakness in the arguments by Robinson, Sklair and others is that they simultaneously overstate transnational tendencies while ascribing a disproportionate degree of strategic capacities to ruling élites.<sup>96</sup> One gets the sense from these analyses at times that a ‘totalising’ class subject has formed that somehow is capable of managing the pressures that international capital accumulation places on it. It is conspicuous that this line of argumentation underestimates the ‘horizontal’ socio-economic competitive relations between individual capitals, which in fact have only sharpened over the last 20 years. As Michael Mann stresses, the capitalist market is a type of diffuse power, as opposed to the ‘authoritarian’ type of power based on a certain degree of voluntary obedience. Such diffuse power develops in more spontaneous, decentralised ways and by definition cannot be controlled.<sup>97</sup> Consequently, only a fragile sort of solidarity can exist among individual capitals. Precisely because these capitals are related to each other under capitalism through competition, the internal structures of each respective ruling class or class fractions can never be coherent. Power élites may wish to think and act globally, however they cannot do so independent of the functional-economic and political-institutional contexts in which they exist. Because this point is underestimated, Cox thus tends to ‘overemphasise the institutional and ideological self-representation of the ruling class on a global scale at the expense of the constitution of these classes within local contexts’.<sup>98</sup> Moreover, ‘global’ hegemony requires flourishing economic growth that itself can only be replaced by norms in a limited way.

In these theoretical approaches, we again see the same sort of problems that surfaced with Hardt and Negri and their subjectivist understanding of Marx. This time, however, the problem is inverted: while the latter overstate the role of the ‘multitude’ in voluntaristic terms, the former describe the autonomous agency of the ruling ‘transnational’ bourgeoisie(s) in absolute terms. They thus disregard the fact that whatever efficacy ruling classes or power élites have under capitalism only exists in relation to other classes. Therefore, any analysis of the possibilities of and limits on international class formation must be more explicit in considering the relatively immobile spatial positions of the working *and* middle classes within the developed capitalist world. This line of argumentation underestimates two additional issues: 1) the decisive role of the national level, specifically, and more generally of spatial levels below that of the global; and 2) the impact of nationalist ideologies.<sup>99</sup> ‘Transnational’ élites indeed attempt to implement an international ‘neoliberal’ ideology, but are themselves not independent from the national level (or from local and macro-regional levels): for one, because they must repeatedly

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96. Colás 2002, pp. 198 et sq.

97. See Mann 1986, pp. 18–22.

98. Colás 2002, pp. 166–7.

99. See Cox and Schechter 2002, p. 88.



enter into national compromises with other actors (for example, with capital fractions whose spheres of interest are limited to state territory or other subnational spaces), and for another, because the trend towards globalisation has its limits (consider the local fixing, described above, of production capital and the state protections it receives). Thus, on average, even transnational corporations tend to relate primarily to a single nation-state. It is premature to extrapolate a notion for the entire world economy from the high degree of transnationalisation among the largest corporations. Certainly, the most thoroughly transnationalised corporations have an interest in the stability of the *global* system.<sup>100</sup> However, it would be an economistic mistake to derive from this a transition to a 'global bourgeoisie' along with state apparatuses that it controls.<sup>101</sup> It is therefore vital to account for all the criteria necessary to reproduce economic *and* individual state actors that together form the basis for a ruling class. Naturally, TNCs shape the policies of individual states; however, they are not the only source of political influence. Other influential factors that cannot be overlooked include additional capital groups, national power relations, and the conditions of accumulation and regulation (for example, the internationalisation of primarily national labour markets that occurs as a residual effect of the internationalisation of investments).<sup>102</sup> 'While the networks of capital "jumped scales" for the organisation of production through both intensification and extension of their flows and networks, consumption and reproduction remained fundamentally nationally regulated'.<sup>103</sup>

The contradiction between transnational, international, and national tendencies cannot be unilaterally resolved in favour of the former. Transnational or global economic tendencies are overlayed by inter- or transgovernmental political accords and rivalries, as well as national (and increasingly macro-regional) functional contexts and pressures. Even world orders shaped by a single hegemon are subject to this. Thus, even van der Pijl concedes somewhat that the real historical 'trend' toward a transnationalising capitalist class develops in 'contradictory' ways because it cannot ignore the national basis of its power.<sup>104</sup> Van der Pijl's point relates to his explanation of the precise features that shape a 'global ruling class' – its existence would presuppose both an elementary class consciousness that brings about a global 'concept of direction and control', which in turn assumes a state-like apparatus on the international level; and an international space in which competition had been overcome.<sup>105</sup>

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100. Harris 2004, p. 659.

101. See Poulantzas 1974.

102. See Hönekopp, Jungnickel and Straubhaar 2004; Hübner 1998, pp. 68 et sq.

103. Swyngedouw 2004, p. 36.

104. Van der Pijl 2001, p. 121. The fate of power élites is based on their national social anchoring. Key decisions are made there, 'and not in the winter vacation spot in Davos, as much as the national representatives would like to bask in the light of their transnational confraternisation' (van der Pijl 2001, p. 127).

105. Van der Pijl 1998, p. 216.

In his comparative study, Michael Hartmann argues that these key features have not yet been realised. The study demonstrates that the degree to which the boardrooms of large corporations have internationalised is nowhere near as high as is often alleged in the business press: 'In the 40 leading German corporations, foreigners represent precisely 4 percent of board members, while only one in three board chairpersons has any experience abroad. We see a similar situation in the other leading industrialised countries. *National career paths* clearly dominate'.<sup>106</sup> Likewise, national education pathways remain a precondition for winning the top corporate positions. 'Junior talent' among power élites continue to be educated primarily in elite national institutions, as Hartmann documents empirically in the cases of Japan, Germany, France and the US.<sup>107</sup> Certainly, individual studies have only limited validity. For example, Hartmann does not consider how far *property* or *stockholder* structures have internationalised in contrast to individual corporate board membership.<sup>108</sup> Moreover, one might object that the persistence of national career paths does not necessarily have to exclude a global convergence of interests among national élites. Nevertheless, the social coherence that is necessary for such a convergence between national élites has not developed. Both the requisite 'internal' mobility (in this case, border-crossing mobility) and a common 'elite socialisation' are missing, thus preventing the emergence of an enduring international class.<sup>109</sup> Thus, the sort of social homogeneity that is required for a shared, class-specific 'habitus' has yet to develop. More important still is that Hartmann's research findings depend 'to an even greater degree ... on politics, administration, and the legal system'.<sup>110</sup> That is, it remains the case that the careers in the highest committees and administrative levels of the EU are still decided primarily within the respective individual states.

Hartmann's results can help to make a final distinction in developing our understanding of the different criteria needed for reproducing various parts of the power élite. A ruling class or a power élite consists *both* of multiple economic 'capital fractions' that can be highly inter- or transnationalised, *and* also a 'political class'. In the final analysis, central political and economic questions are decided within an 'inter-elite network' comprising both private and state actors and reflecting the diverse interests within the power elite and broader social classes.<sup>111</sup> A transnationalising capital group must take this network into account, even if it is the dominant fraction. Thus, the intentions of

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106. Hartmann 2004, p. 150, emphasis original; compare Ruigrok 2005, p. 205.

107. Hartmann 2004, pp. 109–47.

108. The transnationalisation process has already gone further in this area. Nevertheless, it remains difficult to estimate the degree to which the growing influence of transnationally acting institutional investors has undermined the national or regional fixedness of corporations. Moreover, there are considerable differences with respect to the influence of, say, pension funds. In Germany (and even more so in Japan), they are relatively less significant than in the US or the Netherlands (Glyn 2006, p. 56).

109. Hartmann 2002, p. 197.

110. Hartmann 2004, p. 150.

111. Demirovic 1997, p. 136.

transnational capital and those of the state bureaucracy, which is subject to different structural burdens, can ultimately come into conflict.

### 3.2.5 *Using the EU as an example of macro-regional integration of power élites*

Critiquing the theory of a 'transnational ruling class' cannot simply mean reverting to a 'sceptical' position on globalisation. Instead, it is important to carefully consider the changing significance of various spatial levels. In particular, it is important to address one aspect that is often neglected in discourse about the global or transnational levels, namely the *macro-regional level* (especially the European Union, NAFTA, and the East Asian economic space).

The trend towards international cooperation and political coordination has been most thoroughly developed in Europe. This development is not only a reaction to the experiences of the Second World War and fascism that have sedimented in the collective European memory.<sup>112</sup> But also, relations within the EU are relatively integrated and as pacified as possible because this part of the international economy was subordinated to the US after 1945, and because no European economic power could possibly have challenged that status on its own. 'It was the consideration that, over the long term, only a *European* capitalism would be able to counter US capitalism as an equal competitor on the world market that united European economic elites from the very beginning'.<sup>113</sup> The German-French alliance, with its considerable economic advantages, has formed a relatively coherent bloc in Europe since the 1950s and has been the primary motivation behind forming a state union. The fact that – in contrast to North America – two powerful states (and a few other strong, immediately neighbouring states with their own set expectations for realising gains from a broader union) were interested in forming an economic union had specific consequences for the economic and political structures of integration. The roots of European 'multi-level governance' are not found in the first instance in pacifist attitudes among European élites, but rather in the fact that multiple states of relatively equal strength were interested in such (separate from US interests in a stable Europe). In particular, Germany and France continue to play a key role. Because both states would likely lose both national strength and international influence if they were not part of the union, they therefore fight even harder to maintain it.

The most important political projects of European integration since the early 1950s have been 'motivated above all economically, notwithstanding the many foreign policy and security aspects'.<sup>114</sup> Up to now, a 'European economy' has been constitutionalised on the basis of contractual, institutional, and regulatory changes. Relative harmony in commodity, credit, and money relations has led to the integration of national economic spaces. Yet, even in such a highly integrated economic, and increasingly multi-level

112. See Habermas 2001; Habermas and Derrida 2003.

113. Deppe 2006, p. 52.

114. Bieling 2004, p. 134.

political space, we cannot assume an integrated, coherent ruling class. Instead, it is more appropriate to speak of a *partial ruling synthesis*. Even in relation to the member states of the EU, we cannot underestimate the unstable situation in which ruling élites find themselves.<sup>115</sup> This is not only because of specific national class relations and the competition on the European level among individual states based on the varying degrees of influence each is able to exert (here, for example, we might think of the volatile relationship between Germany/France and Great Britain, as well as the differences between strong and weak member states) – which cannot simply be resolved by intra-European regulatory mechanisms, no matter how complex they are –, but rather because of the contradictory processes of capital accumulation and concentration. The latter are characterised by an integration of at least three tendencies: 1) the continued existence of larger corporations bound to the national level; 2) the formation of supra-regional and global-regional ‘European’ corporations and cooperation;<sup>116</sup> and 3) mergers and connections between firms in European countries and those in East Asian and North American spaces.<sup>117</sup> This fragmented concentration of capital is expressed as multiple economic and political strategies. Some capital fractions stress the significance of national economies, others attempt to expand the scope of the EU, while still others see this as only a transitional phase to an economy without any national borders at all. This real disparity in interests among capitals reveals how difficult it is for a relatively unified space to develop. In practice, forming a politically integrated macro-regional space proves to be a contested process that takes much longer to carry out than planned.<sup>118</sup>

### 3.2.5.1 ‘Internal bourgeoisies’?

In summary, we can say that there indeed is evidence that power élites are transnationalising even as they remain rooted primarily in individual states. The issue here, however, is how fragile these forms of cooperative, inter- and/or transnational class activity are. It is hard to foresee the kind of enduring, coherent class activity that produces sharply integrative or harmonising effects. Thus, we need to distinguish specific internationally oriented corporate groups from political élites who are much less mobile. In the EU

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115. Röttger 1997, p. 115.

116. Rugman and Collinson 2005.

117. In reality, these processes often overlap. A large, nationally-oriented corporation can also have intra-European cooperative partners within a single segment of production, while having a North American partner in a different production sector.

118. See Hübner 1998, pp. 134–48; Bieling 2004; Carchedi 2001. Moreover, the EU exists in a hybrid condition, because classically intergovernmental and supranational levels exist within it. The collective foreign and security policy of the EU can be understood as an intergovernmental one, while agricultural policy can be seen as supranational (Ziltener 2000, p. 80). From the perspective of ‘liberal inter-governmentalism’, the EU is still primarily an intergovernmental leadership institution designed to regulate economic interdependence, in which it sits above all the member states, and not supranational institutions such as the European Commission, that have been and continue to drive the integration process (Moravcsik 1998).

space, as well as in transatlantic space, which I describe below, this has led to a greater degree of homogenisation of interests than is the case elsewhere.<sup>119</sup>

Especially within *European* and partly within *transatlantic* relations, it thus makes sense to speak of 'internal bourgeoisies'.<sup>120</sup> The term internal bourgeoisie, 'in contrast to terms such as a "transnational managerial class"' places 'the accent on the fact that the nation-state remains a significant reference point for class fractions, despite transnationalisation processes'.<sup>121</sup> Here, there is a careful, empirically grounded argument to be made. The strong version of the claim that the superiority of US capital 'subverted' European national capitals after 1945 and brought about the end of a 'coherent' national bourgeoisie, is thus not tenable in this extreme form.<sup>122</sup>

*First:* we have to question how Poulantzas has been interpreted. Even if strong bourgeoisies substantially determine the politics of weaker bourgeoisies, Poulantzas still views national states, when seen globally, as the location in which élites are reproduced in competitive relation with one another. 'It is only the notion of "ultraimperialism" that identifies the hegemony of one imperialist country over others with a complete "pacification" of inter-imperialist contradictions'.<sup>123</sup> Moreover, he sees significant differences between transatlantic relations and those between the centre and peripheries: 'This new dependence [that is, US dominance in Europe] is not identical to the dependence that characterises the relations: metropole/periphery precisely to the extent that these metropolises continue to constitute real centres of capital accumulation and to dominate the peripheral formations'.<sup>124</sup> Thus, the theory of US dominance can be understood as a feature of *historical* power relations within the Western bloc after 1945, but not as it were as a structural feature of capitalism. The theory of the formation of an 'internal bourgeoisie' can neither be seen as a direct path leading to one power élite being replaced by another, nor as an accord between them. Persistent contradictory interests, conflicts, and crises make it all the more likely that 'relapses' into national protectionism will occur. As such, we need to avoid drawing rash theoretical conclusions. The close connection between the US and Germany, for example, after the Second World War was not only the result of foreign direct investment, but also was an expression of a superpower conflict mediated in primarily geopolitical terms in which the East-West antagonism overlaid the conflicts within the West.

*Second:* in order to establish the real existence of internal bourgeoisies, we need convincing empirical evidence. This would be an issue of examining more closely, for example, whether or not there is also an 'internal bourgeoisie' in the US that helps Western

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119. This was one among many reasons that military conflicts did not occur within the 'West' after 1945.

120. See Poulantzas 1974.

121. Wissel 2007, p. 120.

122. Pantich and Gindin 2004a.

123. Poulantzas 1976, p. 27.

124. Poulantzas 1974, p. 151.

European or East Asian interests to exert more influence within the US.<sup>125</sup> This holds as well for intra-European contexts – for German-French connections, for example. We must account for the continued existence of relatively independent, large capitalisms (and increasingly, as well, of their macro-regional expansion).

### 3.3 *Periodising money and currency relations*

Monetary relations comprise a fundamental feature of capitalist economies. On the one hand, they impose certain ‘money constraints’ on real economic accumulation. On the other, they give this accumulation a specific elasticity, which has always related historically to specific conditions of production and distribution and to concrete currency zones of individual states and, nowadays, supranational zones such as the EU.<sup>126</sup>

The foundation for power under capitalism comprises both money and the opportunity to control the volume of money in circulation to a certain extent (through central banks, for example).<sup>127</sup> Money, as a politically regulated medium of socialisation often associated with individual states, creates a series of competitive relations that are important for studying international power relations.<sup>128</sup> The role of national currencies (and exchange rates) must be included in the analysis of international rhythms of accumulation. This holds for microeconomic levels – ‘the exchange rate, on which nation states are directly and indirectly influential, remains a major, on-going, and irresolvable point of conflict between capitals engaged in different forms of accumulation’<sup>129</sup> – as well as for macroeconomic levels. Thus, a ‘currency crisis’ must be seen as a component part of the general tendency for instability within capitalist societies. As opposed to the neo-

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125. An example here would be the considerable influence of European and East Asian auto manufacturers and suppliers. For years, the US has housed the largest number of foreign subsidiaries in the world (Kentor 2005, p. 276).

126. Since the introduction of the Euro, the European Union states have been seen in monetary terms as a quasi-national economy. Meanwhile, in East Asia and Latin America, these areas are increasingly seen in terms of monetary cooperation (Dieter 2005, pp. 302–20). By contrast, there is the counter-trend of a larger currency space transforming into a number of smaller currency spaces, exemplified by the dissolution of the Eastern Bloc after 1989.

127. In this section, it again is necessary to differentiate between individual economic interests and those of individual states. In many cases, individual capitals and specific branches are far less concerned with their own currency’s sovereignty than the relevant state personnel and/or central banks are.

128. It was the creation of central banks, among other things, that lead in the nineteenth century to a centralisation of the monetary system and to the creation of a unified currency. Before then, several currencies typically existed within one political unit (Cohen 2000, pp. 27–34). Cohen discusses the advantages of a sovereign, territorially regulated currency, such as national money, as a means for creating national identity (Cohen 2000, pp. 35 et sq.). Although the rank of a national currency is decided in effect by private actors on the stock market that effectively decide (Altvater 2005, pp. 129 et sq.; Cohen 2000, pp. 113–18), the ‘bidding terms’ of a currency space, wage levels, productivity, and so on are nevertheless still set by national economic terms. This form of ‘protectionism’ accounts for the conditions of currency competition within global space.

129. Bryan 1995, p. 93.

classical dichotomy between the real economy and money circulation, we must account for the correlation between crisis in the spheres of production, circulation, and consumption and the discrete mechanisms of monetary and financial dealings. In a similar distinction from neo-classicism, which assumes money is neutral and, correspondingly, that given the absence of any barriers to the mobility of capital and labour, there is no difference between regions within a currency zone and countries with their own currencies, the difference between *interactions within a common currency space* and *interactions between states with their own currencies* must be taken into account.<sup>130</sup>

Not only do many currencies exist, but also the most powerful among them dominate the weaker ones.<sup>131</sup>

As a rule, internationally dominant currencies possess a currency space that extends beyond their respective state borders. First, international credits are issued only in those leading currencies. Second, those countries with lower-quality currencies are threatened with parallel currency systems or with dollarisation [or Euroisation – TtB], since foreign currencies also acquire monetary functions domestically and penetrate national finance systems.<sup>132</sup>

In this way, economic power can increase the dependency of weaker economies (for example, through the accumulation of debts) and/or can help to externalise socio-economic crises. Monetary power thus helps to exert influence over foreign economies: The attempt to ‘open’ markets in developing countries through structural adjustment programmes imposed by the IMF (an organisation in which the most powerful economies on earth have hoarded the greatest proportion of votes) and/or in the fallout of economic crises (such as that in East Asia in 1997), is evidence of the process of instrumentalising financial dependencies. A few analyses from the 1970s accurately saw the role of the most important currency, the US dollar, as ‘international money’ that also functioned as a political vehicle for the US state, thereby tying other states to the US structurally and to its commercial interests.<sup>133</sup> Ingo Schmidt describes this phenomenon as the ‘monetary arm of hegemony’.<sup>134</sup>

In historical terms, we can identify four distinct phases of hegemonic and non-hegemonic currency systems:<sup>135</sup>

- a quasi-hegemonic constellation under the ‘gold standard’ and the leading currency of the British pound sterling, which predominated from the 1870s until 1914;
- an oligarchic constellation between 1914 and 1945;

130. Herr and Hübner 2005, p. 118; compare Busch 1974, pp. 34–46.

131. Altvater and Mahnkopf 1996, p. 390.

132. Herr and Hübner 2005, p. 107.

133. Neusüss, Blanke, and Altvater 1971, pp. 87–8.

134. Schmidt 2005, pp. 5 et sq.

135. See Eichengreen 2000.



- a hegemonic constellation in the framework of the Bretton Woods system and the US dollar as the leading currency, at least in the West,<sup>136</sup> after 1945;
- and a new looming oligarchic constellation, becoming more clearly defined in the last few years.

In the oligarchic phases and during the periods with *multiple currency standards*, several currencies have taken on international monetary functions to a certain extent. By contrast, in hegemonic constellations or in periods with a *leading currency system*, typically only one currency has performed this role. The leading currency system before the First World War was based on the gold standard, which in fact was a pound sterling standard, and gave the quasi-hegemony of Great Britain expression. International cooperation allowed this system to hold on through several crises up to 1914.<sup>137</sup> In 1944, the Bretton Woods system was established under the hegemony of the United States.<sup>138</sup> By the end of the 1960s, it entered into crisis and, by 1973, it fell apart altogether. In this system, there was a close connection between economic strength and political or military clout on the one hand, and the ability to function as a leading currency on the other: 'Historically, the function of a leading currency was always taken on by those countries that played a leading role in the international economy on the one hand, thanks to their economic potency, and that dominated in both political and military terms on the other'.<sup>139</sup> Previous leading currency systems have been characterised by relatively stable exchange rates tied to the leading currencies that dominated in a context of relatively stable, that is, hegemonically safeguarded capital flows between the major economies. Especially after 1945, US hegemonic power was able to form international monetary and currency institutions into a relatively stable system. Before 1914, the British pound and the City did not dominate currency issues in such a comprehensive way. An important consequence of the emergence of a leading currency that could function as an international standard of value and means of payment was the growing interest of multiple economic actors in using this leading currency as an international tool of purchasing power. In addition, the country whose currency was dominant was also able to determine interest rate levels for the world. From this monetary level there developed political impulses starting in the US and leading outwards that helped to create a stable international economy. In this way, the US government realised certain advantages from global power relations, for example through profits generated by the central bank, that is, so-called 'seignorage' profits.<sup>140</sup>

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136. In the Eastern Bloc, individual currencies were officially not convertible with each other. Instead, transactions were made by means of the so-called 'transferable ruble' through the International Bank for Economic Cooperation, headquartered in Moscow.

137. Eichengreen 2000, pp. 53–7, 66 et sq.

138. For a periodisation of the Bretton Woods system itself, see Eichengreen 2000, pp. 132 et sq.; Hirst and Thompson 2002, pp. 34–5, 54 et sq.

139. Herr and Hübner 2005, p. 146.

140. Chinn and Frankel 2005, pp. 6 et sq.; Carchedi 2001, pp. 103–4.



In non-hegemonic currency systems and those with multiple currency standards, two or more reserve currencies acquired international monetary functions without having to be equally strong. This was the situation, for example, between 1914 and 1945 with the struggle between the still powerful pound sterling and the aspirational US dollar.<sup>141</sup> The First World War brought an end to the gold standard. Floating exchange rates were the consequence. In 1926, there was an attempt to reestablish the gold standard by devaluing the pound sterling, however Great Britain put an end to this again by 1931. By 1932, the global currency system had developed into three blocs: the gold bloc under US leadership; the sterling bloc under British leadership; and the Reichsmark bloc under German leadership.<sup>142</sup> The erosion of Britain's quasi-hegemony, the depth of the crisis, as well as competing interpretations of the cause of the crisis made it impossible to realise any efforts at renewed international cooperation in currency policy. Over the last few decades, similar, but less polarised tendencies have begun to develop.<sup>143</sup> For example, the multi-currency standard between 1914 and 1945 was, and the current constellation (albeit less developed) is, hardly in a position to stabilise international economic processes. Fixed exchange rates were and are not to be expected in phases such as these.

However, there are important differences between these phases. For example, there was greater leeway for exchange rates to change throughout the twentieth century. The international economic crisis from 1929 onwards brought an end to the gold standard, which until then had bound each respective currency to its available gold reserves and thus allowed individual states only a limited amount of manoeuvring space. The international system of monetary credit established by the Bretton Woods accords changed this. Without the need to back up currency with gold, individual states were able to establish more independent monetary and economic policies. In the period after 1945, national central banks possessed considerable influence over setting currency policy and parities, holding various reserve currencies, issuing treasury notes, as well as monitoring the banking and financial sectors. All this was an essential precondition for maintaining a relatively independent 'national' economic policy. With the political strategies of 'undervaluing' their currencies, both Japan and the Federal Republic of Germany were able to develop into strong export economies.<sup>144</sup> The rejection of the gold standard opened up more opportunities for intentional *currency competition*. To a greater extent than at the end of the nineteenth century, central banks attempted (and attempt) to control the value of 'their' currency in order to remain commercially viable. Because quasi-state institutions responsible for monetary stability and guaranteed value have to pursue policies such as these in relation to every other currency, a form of currency competition develops that can escalate into full-blown *currency conflict*.<sup>145</sup>

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141. Chinn and Frankel 2005, p. 12.

142. Eichengreen 2000, p. 75.

143. Herr and Hübner 2005, p. 152.

144. See Altvater and Hübner 1988.

145. Altvater 2005, pp. 128 et sq.

### 3.3.1 *The contemporary, non-hegemonic currency system*

Analysing the contemporary currency system reveals a particular phase of increased influence of the financial and stock markets. The parallel marketisation of political institutions, too, has not ended the quasi-state regulation of money, but rather has modified it.<sup>146</sup> Even if strong states have had to accept their declining influence over the *demand side* of money (since capital is increasingly mobile), they still have a say over the expenditure of money, the *supply side*. Moreover, current international monetary transactions have demonstrated a high need for legal regulation. To a certain extent, deregulating sales and financial markets requires a 're-regulation', of money relations in particular. Indeed, deregulating capital transactions has placed a significant constraint in setting national monetary policy, especially in weaker states. Stronger states, as well, are likelier to experience a decline in the speculation-driven exchange rate than before, although the United States and the European Union continue to enjoy considerable opportunities for regulating currency.<sup>147</sup> Consequently, states use various forms of protectionism, above all defending their own currency space, so as to ensure that their currency finds the appropriate spot within the hierarchy of the world market. In other words, currency 'protectionism' and (selective) 'openness' are by no means mutually exclusive.

It has not been widely acknowledged that the hegemonic position of the US dollar has weakened over the last few years. To start, we can say that the international economy since 1945

has slowly moved from a hegemonic system under US dominance to a multi-currency standard, a tendency that will hold in future... This suggests... that intense competition has developed between the US dollar and the euro as to which currency will take over the functions as the world's money. Certainly, the yen has lost in the respect, while other currencies play only a subordinate role in terms of performing international functions. At present, the US dollar only performs a little more than 50 percent of international monetary functions. This has fundamentally changed the mechanics of the currency system.<sup>148</sup>

With the end of the fixed exchange rate system in 1973, a combination of various 'currency regimes' developed that 'ranges [widely] from completely floating exchange rates between the large currency blocs of the US dollar, mark [euro], and yen to various types of managed floating, all the way to currency boards and unified currencies within supranational spaces'.<sup>149</sup> The global currency system is divided into *currency spaces* that are connected to each other through flexible exchange rates. Although the dollar

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146. Cohen 2000, pp. 121–49; Mosley 2003, pp. 17, 304 et sq.

147. Dieter 2005, pp. 281 et sq.

148. Herr and Hübner 2005, p. 146.

149. Herr and Hübner 2005, p. 44.

continues to dominate international currency relations, it no longer plays the role of unchallenged hegemon.<sup>150</sup>

In contrast to earlier 'dollar crises', a currency and economic space has developed around the euro that not only can compete with that of the dollar, but also could jeopardise the dollar's position over time.<sup>151</sup> For the first time since the Second World War, there exists a currency that can compete with the dollar and thus challenge the latter's role as international money. Because capitalist actors base their decisions largely on expectations, current statistics do not accurately represent the threat the euro poses to the dollar. In fact, the tendency towards intensified currency *competition* has existed since the 1970s, primarily because of the fundamental stagnation of the international economy and decreased constraints on capital transactions.<sup>152</sup> However, this has not yet produced serious currency *conflicts* or sharper geopolitical confrontations. Nevertheless, more than a few scholars have warned of currency conflicts morphing into international security ones.<sup>153</sup> Linking the dollar to the euro is unlikely:

Because the US would not have to be concerned with those countries that linked their currencies to the dollar in such a system, US domestic economic policy could thus potentially impose major costs on those linked countries. ... Linking the euro or the yen to the US dollar, however, is also doubtful for (power-)political reasons. Because specific advantages in multiple areas accrue to the country with the leading currency, it is more likely that Europe would rather depose the US dollar if possible than subordinate itself to it. Unilaterally linking the US dollar to another currency seems thoroughly unthinkable.<sup>154</sup>

Global currency competition and the politics of currency (de-)valuation can be seen as a weapon for national and macro-regional localities. Even in the post-Bretton Woods world, despite an exchange régime that floats in formal terms, exchange rates were and are politically regulated. With the Plaza Accord of 1985, and ten years later with the 'reverse' Plaza Accord, dollar convertabilities were politically devalued and then later re-valued. With the Plaza Accord in 1985 and under pressure from the US, the finance ministers and central banks of the strongest economies on earth introduced a ten-year decline in the dollar's value, which corresponded to an increase in the value of the mark

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150. In comparison to the 1950s and 1960s, its primacy in transactions of international commodity, service and capital dealings has declined. Nevertheless, an average of 40 per cent of international trade in goods and services, as well as international debt claims are still carried out in US dollars. Even with respect to the dollar as an international means of credit, its monopoly position as the hegemonic international currency has suffered a loss insofar as the most important indicators stand below 50 per cent; for example, in terms of foreign currency bank holdings or the emission of international fixed-interest bearing commercial paper in dollars (Herr and Hübner 2005, pp. 106–7). The same holds for the role of the dollar as an international means of payment.

151. See Chinn and Frankel 2005.

152. Herr and Hübner 2005, p. 46; compare Altvater 2005, pp. 136 et sq.

153. See, for example, Dieter 2005, p. 196.

154. Herr and Hübner 2005, p. 297.

and the yen.<sup>155</sup> This helped US production industries to recover. The increase in US competitiveness ensured the related weakening of German and especially Japanese export industries, which suffered as a result of higher exchange rates.<sup>156</sup> At the same time, this process stimulated high export-driven growth in those East Asian economies tied to the US dollar. Nevertheless, strengthening US competitiveness at the expense of its toughest competitors had a washback effect: for example, some US creditors did indeed have an interest in the stability of the Japanese economy; moreover, international demand grew more slowly. In response to this development, the so-called ‘reverse’ Plaza Accord represented a turning point,<sup>157</sup> which led to a revaluation of the dollar and a devaluation of the yen and mark.<sup>158</sup> In the context of a possible depression in Japan (above all because the yen had reached its historical high point), which would have had considerable consequences on the international economy, the US reversed its foreign and currency policy. In the interest of stabilising the world economy, the US lost one of its most important competitive advantages, although with a view towards the benefits to come from investment inflows from abroad and cheaper imports. The ‘reverse’ Plaza Accord in fact triggered a boom in US financial markets and in demand for US assets.<sup>159</sup> A byproduct of this policy was eliminating the currency-driven competitive advantages to East Asian economic growth.

At a superficial level, both Plaza Accords (and similar arrangements) represented the politics of ‘cooperative’ interests in a stable and growing international economy for all parties involved. In reality, they reflected the interstate struggle of each party for ‘its region’, which sometimes overlap with national territories, in the context of US dominance.<sup>160</sup> US behaviour in the ‘reverse’ Plaza Accord suggested that it was better able to drive the international world economy than other national economies. The Asian Crisis in 1997, the end of the US dotcom boom, and the international economic recession in 2000 simultaneously represented the limits of this attempt. Should the US lose its preeminence in financial politics and the US dollar come under increasing competition from rival currencies, sharper financial and currency conflicts are possible.

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155. See Hübner 2006, pp. 18–19.

156. R. Brenner 2003, pp. 128–53.

157. Ibid.

158. Since 2001, we have seen in general a ‘politically initiated’ devaluation of the US dollar, which finds its counterpart in US political efforts to ‘force the Chinese government to raise the value of the yuan in relation to the US dollar’ (Hübner 2006, p. 165). Over the last few years, the term *Bretton Woods II* has been used to describe a constellation based on US trade deficits on the one hand, and on trade surpluses in East Asia on the other. It guarantees the dollar’s dominance despite high US debt rates.

159. R. Brenner 2003.

160. Helleiner 2005, pp. 161–2. In fact, the ‘reverse’ Plaza Accord overshot US goals. In the end, both the German and Japanese economies were able to enjoy increased exports, while in 2001, US President Bush complained about the sharp devaluation of the yen (Gritsch 2005, p. 12).

#### 4. Phases of statehood

This study considers the plurality of individual states as one of the fundamental characteristics of global capitalism in space and time. How this particular characteristic has transformed historically, and which changes it has brought about with respect to foreign policy and geopolitics is the topic of this section.

To substantiate my theoretical approach to the issue, I first present phase-specific manifestations of the relation between 'politics' and 'economy', and, second, I identify periods of predominantly 'soft' and 'hard' geopolitics. Third, and finally, I apply this GPE framework to an interpretation of the East-West conflict.

##### 4.1 *The politicisation of the economic, the economisation of the political: The ever-changing relations between the political and economic*

As described above, my starting point is that individual capitalist states attempt to accomplish various tasks that are central for integrating modern societies. Such tasks include *legal and regulatory tasks*, as well as *economic* and *political* tasks. Individual states and their ever-changing institutional features must be considered as essential component parts of capitalist societies, not the residue of precapitalist societies or as 'non-capitalist' entities.

In order to comprehend the significance of individual states within the capitalist 'economy', we must move beyond the overly narrow analytical horizon offered by most approaches to economics and political science. In one sense, the study of how state and economic actors relate to each other runs headlong into the disciplinary boundaries between individual modern social sciences. Thus, within international relations, for example, it is fairly exceptional to see this kind of analysis carried out. This approach is just as rare in economics: in the neoclassical theoretical model, the 'public sector' is no longer part of the typical unit of analysis.<sup>161</sup> In the following discussion, I analyse these specific contexts with respect to the ever-changing options that individual states have for action.

The influence of state apparatuses on the 'economy' can be seen in these areas:

- *real economic relations*: state apparatuses can produce goods and services and can make them available on the 'free market', either for free or for remuneration (for example, infrastructural prerequisites that make production possible).
- *economic policy relations*: by means of tax and budget policies, individual states can influence the revenues and expenditures in workplaces and households and thus influence the quantity of goods that are produced or consumed. This speaks to the state's social policy and its 'crisis functions'.

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161. Compare Block 1994, pp. 699–705; Block and Evans 2005.

- *regulatory relations*: this category includes the regulation of relations between economic subjects. Almost every rule with an impact upon the national economy is made by state institutions (in the form of laws and other statutory ordinances) and is underwritten by the individual territorial state.
- *monetary relations*: states extract taxes and other duties from the economy and return them in the form of transfers and subsidies. These are interdependent relations, because the revenues that allow for state agency in the first place depend on the economy's ability to generate taxes and other duties. Moreover, as described above, this interdependency at least influences the 'supply side' of money.

A tendency towards *state interventionism* has developed, not as the product of an iron law of growing state activities, but rather of the structure and history of capitalist societies. The development of productive forces leads to increased demand for a *physical infrastructure* for production, distribution and consumption processes (for example, facilities, means of production, markets) and for *variable capital* (labour force). The increasing division of labour and the differentiation of production structures require an expanded administrative, regulatory, and economic infrastructure.<sup>162</sup> Moreover, the growing intensification of capital within the production process requires the state to assume a certain amount of risk insofar as it subsidises or takes direct part in said production.<sup>163</sup> At the same time, individual states were and are compelled to provide for at least a minimally educated and/or trained workforce, as well as for their further education and social security. In so doing, states ensure the social reproduction of individual societies. In addition to all these responsibilities, there is also a genuine 'political' task for the state, namely to build consensus in society.

Historically, structurally interdependent relations between individual states and individual capitals have led to their mutual influence becoming more intense. Economic subjects, depending in larger part on their size and power, exert a considerable influence on the policy of capitalist states. The growth of individual capitals depends not only on their success on the market, but also on the power resources they can marshal and use to exert pressure on business partners, creditors, and the monetary, tax, infrastructure, and technology policies of specific political apparatuses. Despite the partial decentralisation of production over the last 30 years, another issue continues to be influential: advantages in size and influence in turn create competitive advantages in terms of financing, sales,

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162. Pryor distinguishes between general legal regulatory frameworks (for example, in civil law), industry-specific market regulations (for example licensing processes and trade laws), and general economic regulations (for example, in labour law or the regulation of economic transactions) (Pryor 2002, p. 694). One study of economic regulations of foreign trade, labour markets, product markets, and the financial sector in twenty-one OECD countries documented a high degree of regulation. It is noteworthy that the US is in the middle of the pack in terms of the extent of non-market regulation (Pryor 2002, pp. 696–7).

163. See Lindlar 1997.

and acquisitions.<sup>164</sup> Large companies are often considered more creditworthy because it is assumed that the state will not allow them to go bankrupt, that is, that the enterprise is 'too big to fail'.

Likewise, the individual territorial state has interests in influencing the economy. Because the existence of the individual state depends on the process of accumulation, which of course lies beyond its organisational power, each state power has a fundamental interest in facilitating those conditions 'that support the process of private accumulation'.<sup>165</sup> Even if these interests have been expressed in different ways historically, state policy is still always a task oriented 'on itself', that is, on self-preservation. This institutional reflex develops not only in response to specific external influences (for example, from industrial lobby interests), but also precisely because of the state's structural dependency on successful capital accumulation. This interest exists on the international level, as well, which poses complex challenges for internationalised state management aimed at guaranteeing international economic activity.<sup>166</sup> The 'crisis function' of individual states is just as relevant in this context. Because the dynamics of capitalist accumulation generally tend to interrupt or disrupt productive and exchange relations, individual states attempt to create the sort of political conditions under which successful exchange can take place. States continue with this endeavour, despite the historical fact that such political direction has always been a precarious task at best due to the crisis proneness of the international economy.<sup>167</sup>

Historically, the structural interdependence between individual states and individual capitals has led to only a partial differentiation between political and economic authorities. In exceptional situations, this differentiation has almost completely disappeared, although only at the level of individual states (in such cases as state-led war economies or the bureaucratic, state-led command economies in the Eastern Bloc).<sup>168</sup> 'State' intervention in 'economic' affairs thus should not be misunderstood as the 'non-capitalist' direction of capitalist mechanisms per se. As I have described, the difference between *private* property and *state* property (insofar as the latter is not subject to democratic control, as this would call into question a fundamental structural characteristic feature of capitalist *class* society) can be seen from a global perspective as a *quantitative* one within the world system. 'While state ownership represents a different legal framework for production, it does not however remove the enterprise from the capitalist economy'.<sup>169</sup> Neither state intervention nor state ownership need represent a negation of private

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164. Kromphardt 1987, pp. 158 et sq.

165. Offe and Ronge 1976, p. 56; see Offe 2006.

166. Hirst and Thompson 2002, p. 128.

167. Burnham 2002, pp. 124 et sq.

168. War economies can be seen as temporary entities that came close to what Bukharin characterised as a 'state capitalist trust' and had foreseen in 1915 as the future of the world economy (Bukharin 1966, pp. 116 et sq.).

169. Sayer and Walker 1992, p. 145.



property. Instead, they should be understood as one among many forms of holding economic and political power in the world of many capitalisms, individual states, and inter-societal relations. This analytical approach helps to avoid the mistake of focusing our understanding of capitalism too narrowly on the economic sphere. Such a reduction is evident in the unconvincing claim from liberal economic perspectives that the period between the 1930s (or even already 1917) and 1989 can be characterised as a mere disturbance in the liberal world economy. My argument, by contrast, is that the ‘state-capitalist’ phase characterised by especially high state intervention from the 1930s on should be understood as an effective ‘capitalist’ answer to the deep instabilities of those times, even if the forms of state-capitalist intervention would later become a barrier to further capitalist development.

In historical terms, it is possible to identify three broad periods in the relation between the state and the economy that relate fairly closely to the cycles of recurring crises in the international economy (but not necessarily to the world order phases):

- 1870–1929: an historic phase in which state intervention into the economy broadened: the ‘regulatory state’ was replaced by the ‘interventionist state’
- 1929–73: a phase in which ‘state-capitalist’ regulation was introduced as a result of the international economic crisis and arms production but nevertheless reached its limits by the 1970s
- from 1973 on: a phase in which the relation between politics and the economy has been transformed again and in which a ‘market liberal statism’ has developed.

As the fallout of economic instability beginning in the 1870s, not only did a form of international economic protectionism develop in the largest economies on earth, but also an expanded, state-controlled economic and social infrastructure, and a differentiated legal and administrative framework. This facilitated the transition from a ‘regulatory’ to an ‘interventionist’ state at the turn of the twentieth century. The proportion of state expenditures in relation to gross domestic product continued to increase slowly. This development even put an end to the *dirigisme* of war economies during the First World War.

State interventions expanded qualitatively in the period after 1929. The international economic crisis and, from the mid-1930s onwards, expanded arms production transformed the US state in particular into a ‘world player’ that was able to control parts of collective demand. Even if some sectors such as foreign trade were fundamentally liberalised after 1945, the trend towards ‘state capitalism’ continued. The ‘mixed economy’ in the United States represented a specific variation of this trend.<sup>170</sup> Ongoing interven-

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170. See Mattick 1969. ‘The state management has also become the most powerful decision-making unit in the U.S. government. Thereby, the federal government does not “serve” business or “regulate” business, since the new management is the largest of them all. Government *is* business. That is state capitalism’ (Melman 1997, 312, original emphasis). Niskanen suggests that by the 1980s,



tionism after the Second World War led to considerable changes in the US economy: the state's demand for arms, which continued to create new investment opportunities, allowed the growth of a public sector regulated by contractual relations. Contracts with state authorities created a system that was neither 'free' nor 'competitive' in the classical sense.<sup>171</sup> Outside the US, as well, individual state apparatuses made use of differentiated tools in the areas of micro-policies (for households and corporations, for example), meso-policies (for regions and sectors) and macro-policies (for the entire economy) that contained a spate of general norms and specific proscriptions in the form of laws and ordinances. During the long economic expansion after 1945, a comprehensive system of social safeguarding developed that was as much the expression of the boom as of a shift in the balance of powers in favour of the working classes.

Historically, the processes of combined and uneven development on a global scale have animated the tendency towards state interventionism, especially in 'late developing' economies. This was also the case for Germany and the United States at the end of the nineteenth century. Japanese economic power, which developed somewhat later, and ultimately the Soviet rise to power after the 1930s, went hand-in-hand with state-decreed land reforms and institutionally compelled regulation and concentration of resources. Similar processes applied later as well for several national economies in East Asia. In each case, state *economic planning* played a decisive role.<sup>172</sup>

In quantitative terms, the significance of the state's influence on national economies can be seen in the historical development of public spending and tax rates, employment in the public sector, and forms of market regulation: public spending rates, which express the ratio of total state expenditures and transfers to total social product, serve as one measure of state activities. By comparing public spending rates of the largest economies, we see a sharp increase in these rates throughout the twentieth century. At the turn of the twentieth century, none of the larger economies spent at a rate of more than 15.1 per cent.<sup>173</sup> From the 1930s, however, these rates grew considerably. Between 1960 and 2000, public spending rates in Germany grew from 32 per cent to 44.5 per cent, in Japan from 18.3 per cent to 31.9 per cent, and in the US from 27.2 per cent to 32.7 per cent.<sup>174</sup> Jochem and Siegel report figures for three time periods, each lasting 5 years (1960–4,

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the US defence industry was still the third-largest planned economy in the world after the Soviet Union and China (Niskanen 1990, p. ix).

171. See Rödel 1972.

172. Sayer and Walker 1992, p. 145. Japan is an excellent historical example of the enormous power of this instrument given only a limited amount of direct state ownership. At various points in its history, by contrast, Brazil has served as an example of free-market economic policies simultaneously combined with a high proportion of state ownership. State-led corporations as a proportion of global social product have declined between 1979 and 2004 from 10 per cent to 6 per cent (Glyn 2006, p. 37).

173. See Lindlar 1997, p. 218.

174. Hay 2005, p. 246; compare Maddison 2001, p. 135.

1978–82, and 1998–2002), which paint a similar picture. According to them, public spending rates in Germany rose from 23.3 per cent in the period 1960–4, to 48 per cent in the latter two time spans. In Japan, this rate rose from 18.6 per cent (1960–4) to 31.8 per cent (1978–82) to 38 per cent (1998–2002), while the figures for the US stood at 26.7 per cent, 31.5 per cent and 34.3 per cent respectively.<sup>175</sup> What is noticeable about these figures is the fact that public spending rates have not grown substantially over the last 30 years. Rather, they have plateaued at a high level and in some cases have actually fallen (for example in Sweden and Great Britain). While public spending rates between 1960 and 1980 grew on average by 50 per cent, their level in 2000 stood just a little above that in 1980.<sup>176</sup>

In contrast to commonly held theoretical assumptions, political institutions have *not* suspended their influence or activity since the crisis in 'Fordism' in the 1970s. Rather, they have transformed themselves in a contested process. As a result of globalisation since the 1970s, 'classic' methods of state-interventionist or state-capitalist interventions (such as state ownership, protectionism, export support for domestic companies) have become less significant in part, while new interventionist methods have moved to the foreground (such as stronger control over the economy through interest rate and tax policy, as well as control by central banks and public-private forms of property).

#### 4.1.1 *Contemporary market-liberal statism*

As a result of the socio-economic instability in the 1970s and the slowdown in GDP growth rates, large individual states increasingly had to change strategies for economic and financial policy-making so as to improve the general conditions of capital valorisation. This led to the initial shift towards 'neoliberalism'. The great economic crisis of the 1970s was also political and ideological.<sup>177</sup> The transformations in statehood that resulted from this were part of the same international process that also drove transformations in the economy.

Since the 1970s, a new model of *market-liberal statism* has developed. This particular model of statehood does not signal the end or the erosion of the capitalist state, but rather its *reorganisation*. Given the context of altered international opportunities for economic

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175. Jochem and Siegel 2004, p. 361.

176. Hay 2005, p. 246. A similar development has played out historically for average *tax rates*, that is, tax receipts as a proportion of GDP, which in OECD economies currently stands just over 20 per cent on average. If we figure tax and social security revenues together, these rates then rise to almost 40 per cent (Genschel and Uhl 2006, p. 94). The amount of public sector employment has also increased in the period from 1960–2000, with some exceptions (Hay 2005, p. 247).

177. The 'structural contradictions... of state-capitalist societies... [could be] seen on economic, political, and ideological levels equally' (Offe and Ronge 1976, p. 65; original emphasis). On the ideological level, the paradox of 'state-capitalist societies' was rooted in the fact 'that their own actions undermined the normative syndrome of possessive individualism' (Offe and Ronge 1976, p. 69). As exchange relations were no longer solely mediated by the market, but rather manufactured and/or induced by politics, the moral and normative foundations of an *exchange society* weakened considerably (see Habermas 1975).

growth, altered conditions for realising profit, and altered social power relations, what *has* eroded is a specific historical manifestation of the individual capitalist state: namely, the Keynesian welfare state. However, the restructured and dismantled social state and the tendency to privatise or partially privatise what used to be state property do not mean that capitalism no longer requires an individuation of the 'political'. In other words, we continue to live in a world characterised by a multitude of individual capitalist states. While some sectors of the 'old' national Keynesian welfare state regressed, other core state sectors such as the military, police, judiciary, and administration have hardly shrunk at all. New forms of a 'Schumpeterian', market-liberal, competitive state have developed in parallel to the crisis of 'Atlantic Fordism'.<sup>178</sup> These reorganised individual territorial states continue to produce social cohesion through maintaining a monopoly on the means of violence. Thus, the individual state level remains the most important spatial arena in which the antagonism between global, supra- and transnational, macro-regional, national, regional, and local forces plays out.<sup>179</sup> It is true that international political institutions may in fact be adopting an increasing number of tasks comparable to what national governments carry out (which is characterised in the IR literature as the transition from 'government' to 'governance'<sup>180</sup>). However, without a substantial expansion either of their material resource base or their democratic legitimacy, it is unlikely that such international institutions will be able to ensure social integration such as individual states currently do.

Market-liberal statism presents the following characteristics:

- An image of itself as a *competitive state*, whose future viability thoroughly depends on the quality of its own 'position' (for example, the standing of its national system of innovation) within a 'global economy', and shapes the policy of individual states – 'being proactive in promoting the competitiveness of their respective economic spaces in the face of intensified international... competition'.<sup>181</sup> Indeed, while individual states were already 'competitive states' in the 1960s, strictly speaking, many of the largest individual states did not yet see themselves as such in any significant way. As Jessop establishes in general, competition can play out in implicit, unconscious ways and in explicit, conscious ways.<sup>182</sup> The contemporary market-liberal or neoliberal state pursues an explicit competitive strategy. This applies also and precisely to foreign policy, as evidenced by states introducing or placing greater value on 'security strategies'.

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178. Jessop 2002, p. 123; compare Swyngedouw 2004, pp. 40 et sq.

179. Jessop 2002, pp. 210 et sq.

180. This can also include regulation and even decision-making processes with part-state or private actors in network-like structures (Hirst and Thompson 2002, pp. 268 et sq.; compare Esser 1999; Knodt and Jachtenfuchs 2002).

181. Jessop 2002, p. 124.

182. Jessop 2002, pp. 188–9; compare Hirst and Thompson 2002, pp. 114–15.

- A transformed technique for regulating competition, distinguished from earlier state-interventionist, monopolistic regulation by intensified private, decentralised market relations: 'Through deregulation and privatisation, the state imposes competitive relations which in turn require new forms of regulation [for example, regulatory authorities in the energy and telecommunications sectors, the internationalisation of monopoly control in the EU context]. This has nothing to do with the "withdrawal" of the state, but rather with new forms of intervention that are more directly oriented on individual capitals' interests in making profit ("supply-side politics") and dismantling social and labor provisions in the broadest sense'.<sup>183</sup>
- With respect to the *macro-economic potential to influence economic and financial policy*, the institutions of state intervention have not been eliminated, but rather restructured. The US central bank is an instructive case. In the early 1980s, within the context of reforms to the institutional framework of the US economy, the bank was granted new powers exerting pressure on economic actors.<sup>184</sup> Similar changes took place in state apparatuses in Europe and East Asia.<sup>185</sup> Technology policy is still subject to state influence, which we see with the US and European arms industries.<sup>186</sup> Throughout all this restructuring, the core competencies of individual states, such as raising taxes, the military, police and the judicial system, have remained, although this has not prevented their partial privatisation.
- In addition, we can observe a *spatial differentiation of state activity*, both in terms of the spaces both above and below the level of the nation state, without having significantly weakened their efficacy within the national sphere (at least for the strongest states): 'While the world market and the triads have become the most significant *spaces of competition* ... the most important *spaces of competitiveness* are more often national, regional or local ... the pursuit of place-specific competitive advantages by firms, states and other actors is still rooted in local, regional or national specificities. This shapes the forms of competition and strategies to build competitiveness'.<sup>187</sup> With

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183. Hirsch 2005, p. 154.

184. Duménil and Lévy 2004a, pp. 165 et sq. Of particular note were lowered interest rates in the 1990s, which were meant to ensure a long-term stock boom ('stock market Keynesianism'), as well as the creation of a rescue package for the LTCM hedge fund in the amount of \$3.6 billion in 1998 (Brenner 2003, pp. 199–200; Glyn 2006, pp. 70–3).

185. The Ministry for International Trade and Industry in Japan (renamed METI after the 2001 reform that merged MITI with other ministerial units) has had a considerable influence on Japanese corporations since 1925. The connection between the ministry and corporate leaders has fostered foreign trade policy that to this day is sharply focused on strengthening the competitiveness of domestic capitals, for example by using various protection mechanisms available to compete against imports and helping to license foreign technologies (Duménil and Lévy 2004a, pp. 186–7). In addition, the Japanese ministry of finance is active in exchange rate policy-making (Hübner 2006, p. 156).

186. See Serfati 2004.

187. Jessop 2002, p. 181

respect to global, macro-regional, national, regional and local spaces, national spaces continue to play the leading role.<sup>188</sup>

- On the macro-regional and global levels, *an inter- and supranationalisation of regulatory political systems* has developed (that is, there is greater value placed on international political institutions). One might also characterise the internationalisation of statehood as the movement towards a supra-state capitalism in order to maintain effective political regulation in the context of 'neoliberal' capitalism. This consolidation of 'second-order' power relations in the new world disorder phase includes multiple relations of cooperation, competition, and conflict between the states of Europe, North America, East Asia, and some late-developing economies.<sup>189</sup> Moreover, this consolidation takes place in a broader context of US predominance in the process of subordinating underdeveloped and emerging countries. This power structure has a decisive impact on both the potential and the limits of international political influence.

Of course, there are significant differences among individual states in terms of specific constellations of actors and institutional contexts within them.<sup>190</sup> At the same time, we must also differentiate between the strength of individual states. For now, we can identify at least four types among the strong states:

1. the *globally dominant US state* that can influence international events like no other, but that nevertheless is not omnipotent;
2. *leading states at the macro-regional level with a global reach*, such as Germany, France, Japan, and increasingly China;
3. *additional macro-regional powers with less global reach*, such as Russia, Brazil, or India; and
4. *strong states with limited global reach* such as South Korea, Turkey, Israel, Egypt, or South Africa.

These latter states can be characterised as *sub-imperial* powers insofar as they engage in imperialist practices.<sup>191</sup> The European Union is currently the only 'supra-national

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188. Even in the European Union, for example, there is still no genuine 'European tax' (Genschel and Uhl 2006, p. 116). The EU is dependent on the payments it receives from individual member states. By contrast, integration on the military front has progressed, even if moving more slowly than originally planned. Despite this, the EU's budget figures at the beginning of the twenty-first century are 'gigantic in comparison to those for the UN' (Zürn and Zangl 2003, p. 165). With a biannual budget of €2.3 billion, however, the UN is still larger than the WTO with its annual budget of \$73.8 million.

189. See Brand 2006.

190. Hay 2005; Jessop 2002, pp. 259–67; Jochem and Siegel 2004, p. 367.

191. There are still other states, such as Nigeria, Iran, or Indonesia, that belong to the category of subimperialism, although they have less capacity to carry out offensive power politics than the states listed in point four.

community of states' that has the potential to develop into a relatively homogeneous political unit. It also holds a global reach in many areas that partly intersects with the national strategies pursued by its member states.

The world of market-liberal statism is thus characterised by a *modified fragmentation of individual states*. Individual state units (as well as the apparatuses with them that are internationalising and possess their own relatively individual dynamic) have sufficient organisational, repressive and/or consensual opportunities at their disposal to guarantee, assert, and implement international economic and political adjustments. Also, because international economic pressures continue to impose themselves within individual state spaces (for example, the demand for balanced budgets), these spaces remain the most important ones for managing contradictory social processes. This issue is reflected, for example, in public debates in the US about the most important 'dangers' to US dominated 'globalisation'. First, these debates often include the explicit fear that the *absence of statehood* ('failed states') affects order in several world economic zones, including geo-economically and geopolitically relevant areas in the Middle East, Central Asia, or Africa that are seen to be recruiting areas for terrorist networks.<sup>192</sup> Second, these public concerns also apply to *hostile states* ('rogue states') that do not or no longer observe international conventions.<sup>193</sup> Third, warnings are made of *potential competitors* ('rival states') to US predominance, for example the 'Chinese challenge' and less so the challenges posed by Russia or the EU.<sup>194</sup> Accordingly, the US uses national security strategies and pragmatic foreign policy to realise their goal of 'preemptive' supremacy vis-à-vis other great powers as well.<sup>195</sup>

#### 4.2 *Phases of hard and soft geopolitics*

The policies and politics of individual states do not limit themselves to the state's own territory. Instead, given international socio-economic and political developments, challenges, and power shifts, they are designed to act in 'external' spaces as well. In the case of divergent interests among multiple states, competitive relations and even *conflicts* are possible on the international level.

In academic discussions, a distinction is typically made between historical phases of 'formal' and 'informal' imperialist expansion. Related to this – although with a higher degree of precision – we can differentiate variations of foreign policy, which the distinction between 'soft' and 'hard' geopolitics attempts to do.

*Soft* variations of geopolitics are restricted to those that use predominantly peaceful means to influence a foreign territory, thus leading to dependencies and/or exerting

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192. See Fukuyama 2004.

193. See Garrett and Sherman 2003.

194. See Mearsheimer 2003.

195. See Harvey 2003.

economic and political pressure. Soft geopolitics include political or diplomatic measures, economic sanctions, and economic incentives. These measures play an important role in imposing one's ambitions in the respective target country, and in the antagonism between states.<sup>196</sup> *Hard* variations of geopolitics use different means to achieve political or military control over external spaces and/or to maintain or increase a given state's international power and influence. The specific form of hard geopolitical strategies can vary – from threats or displays of military capacity to 'régime change' or the support for civilian coups up to and including military interventions.<sup>197</sup>

These two poles are not mutually exclusive. In reality, both forms of geopolitics are often combined. Because of this, we need an analysis of the nexus of soft and hard geopolitics that allows for one form to predominate in a given historical phase without necessarily excluding the other. In historical terms, we can identify the following phases of geopolitics as practised by the strongest industrial societies:

- a phase up through the 1870s in which soft geopolitics predominated, which came to an end as the legitimacy of British quasi-hegemony and European colonisation each were called into question;
- a phase up through 1945 in which formal imperialist expansion through predominantly hard geopolitical means dominated, escalating in both world wars;
- a phase between 1945 and 1989 of imperialist praxis of predominantly soft geopolitical strategies, not only in North-South but also in East-West relations, which nevertheless took on forms of hard geopolitics outside the 'North';
- a phase since 1989 of predominantly soft geopolitics, overlaying a tendency towards using hard geopolitical strategies.

In principle, the era of so-called 'free trade imperialism' began with British quasi-hegemony placing its seal on the Vienna Congress in 1815. However, there were forms of hard geopolitics already at play in this first, predominantly 'informal' phase of imperialist politics. Great Britain used settler colonies as a starting point for controlling foreign territories, thereby creating geopolitical bases and penetrating surrounding territories economically. Imperialist politics were thus often only 'indirectly' related to economic

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196. Economic *sanctions* can be further categorised as trade sanctions (for example, blockades, embargoes, boycotts) and financial sanctions (for example currency attacks, prohibitions on foreign direct investment, freezing financial assets). They are often imposed with the help of hard geopolitical means (for example, surveillance of an embargo by the military) (Grieco and Ikenberry 2003, pp. 163–98). Such measures are implemented in either uni- or multilateral terms. Economic *incentives* or *aid* are created and/or executed in the context of forming strategic alliances between states and increasing interests in economic relations.

197. Because the term 'hard geopolitics' implies both the *threat* and *practice* of violence, it is necessary to clarify the term at yet another internal level. After all, there is an important qualitative difference between both types of violence.



expansion, as imperialism ‘sometimes extends beyond areas of economic development, but acts for their strategic protection’.<sup>198</sup>

The establishment of the French protectorate over Tunisia (1881) and the British occupation of Egypt (1882) constituted a radicalisation that led to a new phase of hard geopolitics.<sup>199</sup> Three interrelated dynamics effected a shift to the phase of ‘classical imperialism’: 1) international political power shifts, above all the challenges to British quasi-hegemony posed by Germany, the United States and, somewhat later, Japan; 2) domestic, nationalist radicalisations; 3) and *expectations* that colonialism would be profitable. This phase began with efforts to divide up the world cooperatively (the ‘Congo Conference’ in Berlin in 1884/5), but resulted in drastically violent excesses in the colonies, sharpened economic and political conflicts within the ‘North’ (because those conflicts could no longer be resolved within the framework of British ‘free trade capitalism’), and ultimately escalated into two intercapitalist world wars.<sup>200</sup> Among all the industrialised capitalist societies, Wilhelmine and later Nazi Germany was the most aggressive in using military expansionism to achieve world domination.

The return to predominantly ‘informal’ geopolitics after 1945 was tied to the development of a bipolar world-order (‘superpower imperialism’). The growth in national consciousness in the colonies (by comparison to the nineteenth century) made it more difficult for Western colonial powers to maintain *formal* foreign rule. Military superiority no longer guaranteed control over a conquered territory: ‘The most important asset of imperialism had disappeared, namely the readiness of colonial populations, once conquered, to let themselves be quietly administered by a handful of occupiers’.<sup>201</sup> National liberation movements were the primary force that undermined European colonialism. In addition, this process was the result of declining European powers and their growing dependency on the United States, which for its part was interested in access to colonial territories that were inaccessible during the interwar period. Ultimately, the most advanced economies lost interest in large parts of the former colonies. Fewer foreign investments were made in undeveloped countries than in the richest industrial nations. Further, there was less dependency on raw materials, with important exceptions such as oil.<sup>202</sup> Nevertheless, primarily soft geopolitical means were used to create ‘informal’ dependencies of the ‘formally’ independent countries of the ‘South’.<sup>203</sup> Dependent accumulation

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198. Robinson and Gallagher 1953, p. 6.

199. Schöllgen 1986, p. 38.

200. Davis 2001.

201. Hobsbawm 1996, p. 562.

202. The development of synthetic replacements, more efficient use of raw materials, and increased productivity within domestic agricultural production all helped larger states in the interwar period to be more successful in their pursuit of autarchic strategies.

203. After 1945, development politics became a classic domain of North-South relations: ‘At the end of World War II, the US had an interest in reducing the limits that colonial policies had placed on international trade . . . and simultaneously preventing socialist countries from using the retreat of European colonial powers to expand their influence. In order to ensure this, economic aid was



remained the rule, even though there were exceptions and counter-reactions from the 'South' such as the non-aligned conference of India, Yugoslavia and Egypt.

Likewise, conflicts within the West (such as that between the United States and France) were carried out by means of soft geopolitics. After 1945, the NATO states and Japan were dominated by an 'informal American empire'.<sup>204</sup> The US economic policy of 'internationalism' with respect to the Soviet Union supported the globalisation process after 1945.<sup>205</sup> That this informal 'US empire' simultaneously and repeatedly supported formal military interventions and found itself periodically on the edge of atomic war suggests the fragile character of 'mutually assured destruction'. The East-West conflict was not carried out directly by means of war between the two principle competitors. However, in an indirect way it resulted time and again in violent conflicts (such as the wars in Korea and Vietnam) or the threat of violence. The second 'superpower', the Soviet Union, likewise served its own interests after 1945 by using both soft and hard geopolitics, as I describe below in further detail. In the world order phase after 1989, as well, indirect geopolitical conflicts have dominated interstate antagonisms, although they have not yet reached the level of proxy wars like those during the Cold War. Nevertheless, they are expressions of competition in the context of international power relations.

As the transition between phases of predominantly soft geopolitics and phases of predominantly hard geopolitics shows, the concrete form taken by international relations of dependency and competition can vary widely. The form of these relations has always depended on the internationally predominant mode of accumulation and regulation. An example of such is transition to a phase of predominantly soft geopolitics 'that developed in the wake of Fordist capitalism dominated by the US that asserted itself after World War II'.<sup>206</sup> This transition was rooted in 'the integration and subordination of countries that were independent in politically formal terms and with their own state apparatus to the dominant relations of accumulation and regulation'.<sup>207</sup> Especially through the process of decolonisation, the US supported the formation of formally independent countries that could escape the clutch of the old European powers while still being subordinated to the new model and leading role of US capitalism.

Additional factors that influence the concrete form of geopolitics include the following:

- The *decreasing effectiveness of certain foreign policy instruments* makes recourse to them appear less and less helpful. For example, the policy of classical colonisation as a direct form of foreign rule was increasingly considered to be a failed model after 1945.

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used to support the targeted states and regions... In this sense, development aid was initiated as "economic defence" within the context of the East-West conflict' (Brock 1996, p. 280).

204. Panitch and Gindin 2004a, p. 9.

205. Agnew 2001, p. 143; compare Agnew and Corbridge 1995, pp. 37–44.

206. Hirsch 2005, p. 106.

207. Ibid.

As had been proven in practice over time, ‘indigenous governors’ who hold power formally are needed so as to ensure a certain degree of stable social integration. Even then, this model only functions when sympathetic domestic élites actually possess their own social basis that provides sufficient power with which to rule the territory. As the attempt to install a US-friendly régime in Iraq after 2003 has shown, the failure of such a strategy can turn into a neocolonial backlash.<sup>208</sup>

- At the same time, the application of hard or soft geopolitics is co-determined by concrete *foreign policy goals* and by *the strength and geopolitical role of the state in whose territory the intervention is meant to take place*. Thus, for example, openly confrontational forms of politics cannot always be used to meet the goal of controlling oil resources.<sup>209</sup> Military bases or formal trade relations can be equally useful for establishing partial control, especially when trying to nurture friendly foreign relations simultaneously with respective territorial authorities. Moreover, naval forces can be used to secure geopolitically relevant maritime zones such as the Straits of Hormuz at the base of the Persian Gulf. Moreover, a number of large states (for example, France, Germany, Russia, China) guarantee their influence by using weapons exports to attain drilling licenses, for example, or by dispatching military units so as to intimidate other states.
- Further, the *dimensions of the arms economy within capitalist geopolitics* place boundaries on individual states in terms of their foreign policy and the extent, intensity, and prospects for success. In the context of the US’s ‘revolution in military affairs’ in the 1990s, several scholars have described the US military as invincible.<sup>210</sup> The related ‘disinhibition’ to use military options (given the expectation for a low level of casualties) nevertheless has its limits.<sup>211</sup> As the latest interventions in militarily inferior states have shown, these expectations have only been accurate for air campaigns (such as in Yugoslavia and Afghanistan). When ground troops are deployed, technical superiority plays a smaller role, as the experience in Iraq after 2003 has made evident. In turn, this can thwart the creation of domestic political consensus.
- In addition, the *coherence in foreign policy coordination*, the forms of *alliance building*, and the *behaviour of the political state leaders* all play a role.
- We must also pay close attention to *internal power relations* in assessing the potential for foreign policy activity. As the ‘victorious power’ that suffered relatively few human losses and in a general anti-communist context, the United States was in a particularly favourable position to use its military power with some legitimacy after 1945. By contrast, renewed German militarism after 1949 was unthinkable, and not only in international political terms. An anti-militaristic mood domestically, as well, made any

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208. Alnasseri 2004b, p. 79.

209. See Bromley 2005.

210. Müller and Schörnig 2006, pp. 97–110.

211. Mölling 2004, p. 220.

attempts at rearmament more difficult.<sup>212</sup> In this sense, the consequences of the US defeat in Vietnam and the considerable domestic political conflicts related to it cannot be underestimated. Until the 1980s, the 'Vietnam Syndrome' made it almost impossible for the US to engage in open military interventions.<sup>213</sup> When assessing the geopolitical options available to a given state, it is necessary to examine the normative 'resources' that allow the state to pursue policies of violence that risk casualties among its own population, the 'internal' constitution of the military, and the influence of foreign and defence ministries, that is, the power balance within the state apparatus.

Later in this chapter, I test the explanatory power of the broadly conceived notion of capitalism used in this study and the need to differentiate geopolitical practices by examining the East-West conflict. Before that, I use the following excursus to examine in greater detail the economic effects of arms competition.

#### 4.2.1 *Excursus: The economic effects of the geopolitical arms race during the Cold War*

From the second half of the nineteenth century, geopolitical conflicts between states took on a capitalist form. Competition over arms has been an integral part of geopolitical competition in the capitalist world system. Geopolitical competition facilitated the formation of a state economic sector, at the centre of which has stood the state-regulated production of armaments. Militarism as a 'province of accumulation' can generate considerable economic effects, which I describe in this section.<sup>214</sup>

After the Second World War, the arms industry was not retooled to a large extent for civilian production as occurred after 1918. Instead, a gigantic arms race set in. Strictly speaking, the era of the 'permanent arms economy' had already taken root in the arms policy of the Third Reich after 1935. Arms build-ups and related war policies were not primarily caused by irrational political motivations, but rather were a violent attempt by the national-socialist German state to provide the German economy with new, profit-bearing sources of raw materials, markets, and spheres of influence beyond national state borders.<sup>215</sup> After 1935, German arms expenditures exceeded the total volume of other public investments and displaced civil policy measures to create jobs.<sup>216</sup> State direction and administration of the economy expanded through a 'four-year plan'. A command economy developed that considerably restricted the autonomy of private enterprise.<sup>217</sup> Double-digit economic growth formed the basis for an expansion of capital

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212. Since 1990, however, there has been significant progress made in 'normalising' German foreign policy (Hawel 2007).

213. Neale 2001.

214. Luxemburg 1951, p. 454.

215. See Sohn-Rethel 1973.

216. Abelshauser 1999, p. 512.

217. Abelshauser 1999, p. 522.

stock from which National Socialism drew for its survival until 1943. The arms build-up helped to overcome the economic crisis of the 1930s. By contrast, New Deal policies in the US after 1934 did not have the desired effects – the United States would again have to endure another massive recession in 1937. It was not until the US reorganised its economy around arms production in 1940 that it experienced economic growth similar to that in the Third Reich.<sup>218</sup>

In the context of 'superpower imperialism', the arms race retained its economic significance for some twenty years. International competition took on almost exclusively economic features in the long economic expansion after 1945 within the Western bloc, while a sharp geopolitical confrontation developed between the blocs: between the US (and its allies), which pushed for an economic opening of the world, and the Soviet Union (and its allies), whose relative economic weakness was balanced out by autarchic economic policies. Capitalist pressures to accumulate expressed themselves in a 'deferred' way, namely in a bitter drive for 'use values', or more precisely still, for the creation of destructive means. Political competition during the Cold War – which brought the world to the edge of nuclear destruction on more than a few occasions, and which, because of the 'hot' forms of conflict it took on outside the territories of the two main contenders (the 'proxy wars'), should not really be considered 'cold' in the first place – shaped Western economies in manifold ways.<sup>219</sup>

The economic consequences of arms capitalism were important as well. As Alfred Sohn-Rethel had suggested already in the 1930s, state arms production represents a special form of production under capitalism. At issue here are the economic implications of the demand for 'non-reproductive' values, that is, products that do not contribute either to the reproduction of human labour power or to the material means of production.<sup>220</sup> With arms production, a state power is required to 'make this type of demand effective'.<sup>221</sup> Rosa Luxemburg had addressed this issue even earlier: 'In the form of government contracts for army supplies the scattered purchasing power of the consumers is concentrated in large quantities and, free of the vagaries and subjective fluctuations of personal consumption, it achieves an almost automatic regularity and rhythmic growth'.<sup>222</sup> As Michael Kidron, Mike Davis, and Christoph Deutschmann have shown in their studies, state arms production brought along with it a stable demand for armaments, leading to stabilised growth in the US economy throughout the post-war era.<sup>223</sup> The capital that otherwise would have flowed to new productive investments was taken out of the typical

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218. See Deutschmann 1973, p. 26.

219. See Greiner, Müller and Walter 2006; McMahon 2006. Thus, the claim that a 'nuclear stalemate' had led to a 'veritable rationalisation' of all possible conflicts in the context of bipolarity (see Diner 1993, p. 7) seems exaggerated at least.

220. Sohn-Rethel 1973, p. 50.

221. Ibid.

222. Luxemburg 1951, p. 466.

223. See Davis 1978, pp. 249 et sq.

investment cycle. This had the effect of slowing the process in the private economy by which the 'organic composition of capital' grows (that is, the ratio of constant to variable components of capital) and thus slowed the tendency for the average rate of profit to fall, as well. The tendential fall in profit rates

...rested on two assumptions, both realistic: all output flows back into the system as productive consumption – ideally, there are no leakages and no choice other than to allocate total output between what would now be called investment and necessary consumption; second, that in a closed system like this the allocation would swing progressively in favour of investment (increasing capital intensity or – in Marx – raising the organic composition of capital). The first assumption is the pivotal one. If dropped, and the ratio of the returns to capital and to labour becomes indeterminate, the second falls and the 'law' with it.<sup>224</sup>

Arms production has a similar effect. Arms production neither creates new means of production (Department I, as Marx called it), nor does it contribute to any significant consumption (that is, to part of Department IIa). The end products do not contribute to further arms production – to a certain extent, they are used *unproductively*, comparable to the consumption of luxury goods (Departments IIb or III). The peculiarity of arms production lies in the fact that using what it produces does not have any typical economic effects. Normally, manufactured goods enter in some way back into the production cycle. By contrast, armaments are 'unproductively' consumed. 'Like commodities, the products of the arms industry are made by wage workers... The material specificity of their labour [in arms production], however, does preclude their labour from being realised as a component part of social capital. In this way, their labour cannot contribute to the creation of surplus value'.<sup>225</sup>

Throughout the 1960s, the US state took in considerable proportions of capital in the form of taxes that would have otherwise been made available for new investments, and then spent that capital in turn on unproductive military goods. This helped to slow growth in the organic composition of capital, and was one of the main reasons for relatively stable profit rates.<sup>226</sup> For the period between 1945 and the mid-1960s, the significant stabilising impact that US arms production had on GDP growth rates especially for the US, but also on growth-inducing impulses in other national economies is clear to see. State arms expenditures filled the order books for the arms industry at levels almost as high as those during the Second World War. The Korean War at the beginning of the 1950s functioned like a massive economic growth policy – this applied to other parts of the international

224. Kidron 1970, p. 55.

225. Deutschmann 1973, p. 184. This does not mean that arms production is 'unproductive' for the corporations that take part in it. Their investments create weapons as 'exchange values' through which they do realise profits.

226. For a divergent explanation of the arms economy, see the chapter on 'The Permanent Arms Economy and Late Capitalism' in Mandel 1975, pp. 274–309.

economy, as well, since US arms production, for example, increased demand for German engineering products.<sup>227</sup> Military expenditures fluctuated around 10 per cent of US GDP up to the 1960s.<sup>228</sup> One in five tax dollars was spent on arms contracts, which – because of stable demand for arms and other goods from the related suppliers – led to stable, if not as impressive growth in Japan and West Germany.<sup>229</sup> Indeed, the economic effects were larger than the specific value of 10 per cent of GDP might suggest.<sup>230</sup> For example, arms spending was concentrated on capital goods industries, which up to that point had been subject to fluctuations in demand. This concentration thus had a stabilising effect. Moreover, technological advances made by state-financed research also triggered certain technological innovations within civilian projects. Further, trade of raw materials was stimulated. New arms technologies were used to introduce productivity- and profit-increasing innovations in civilian production.<sup>231</sup> While some scholars have tried to demonstrate that arms spending damaged the overall economy, others have established a technical ‘spillover effect’ and the subsequent positive influence this had on growth and employment.<sup>232</sup>

Overall, Cold War arms capitalism ironically laid the basis for the ‘golden age’ of capitalism and/or the ‘Fordist consumption model’.<sup>233</sup> For example, one of the paradoxical consequences of the German war economy is ‘that it went far beyond efforts at an arms build-up in the first half of the 1940s to create the preconditions for the speedy reconstruction of the German economy after 1945, as well’.<sup>234</sup> As an example, new methods of management and production were applied to civilian branches and quickly became the standard for production. The automobile industry in particular profited from the use of Fordist mass production in arms manufacturing. Moreover, the subsequent ‘economic miracle’ was also based on improving ‘qualification structures’ from the 1930s on.<sup>235</sup> Moreover, the destruction wrought by the war stimulated new investments that led to the rejuvenation of capital stock.

The arms economy that triggered the long economic growth after 1945 (in principle, already after 1940) was nevertheless unable to ensure permanent economic stability. Capitalism as a dynamic, globally fragmented system did not remain fixed within the Cold War constellation for long. High arms expenditures in the US indeed had an internally stabilising function. At the same time, this constellation had its own set of economic disadvantages that Western competitors (above all Japan and West Germany) were able to exploit. For the core industries of the private US economy, diverting productive

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227. Rödel 1972, p. 24.

228. Brenner and Glick 1991, p. 92.

229. See Kidron 1970.

230. See Davis 1978, p. 251.

231. Rödel 1974, p. 193; compare Castells 2001, pp. 49–56, 158.

232. Smith and Dunne 1994, pp. 515 et sq. Pivetti 1994, pp. 523 et sq.

233. See Glyn, Hughes, Lipietz, and Singh 1991. Compare Hirsch and Roth 1986, pp. 48–53.

234. Abelshauser 1999, p. 531.

235. Abelshauser 1999, p. 536.

resources to the arms sector made them less competitive vis-à-vis German and Japanese rivals. This allowed Japan and West Germany, where arms production was largely prohibited, to use exports to expand their position on the world market and thereby overcome their internal crises.<sup>236</sup> In this way, the national economies in West Germany and Japan challenged US economic predominance in the 1960s (for example, in auto). The economic competition within the Western bloc of states weakened the US's position in the geopolitical arms competition between the two blocs.<sup>237</sup> Ultimately, the dynamic of market competition in the West changed the dynamic of competition between the US and the Soviet Union, which was mediated primarily by the arms race: a consequence of this development was the curbing of US arms expenditures in the wake of the Vietnam War. A renewed arms race policy did not return until the 1980s.

In the current historical phase, there is less indication that arms expenditures contribute to economic growth as significantly as they did after 1940. Despite the enormous increase in arms production since the 1990s as a proportion of the entire federal budget, growth in military expenditures accounted for only 0.75 per cent of the entire rise in GDP in 2001 and 2002.<sup>238</sup> While the absolute sum of defence spending might break records, it nevertheless represents a smaller proportion of total GDP than after 1945. This suggests that it will not likely have the same stabilising effect. Nevertheless, the effects such spending has on demand within the entire economy should not be underestimated. In the wake of the economic crisis in 2001–2, the potential of the arms sector to be a tool of economic management appeared yet again. A return to the 'military Keynesianism' of the Reagan era seemed to be underway. Moreover, arms expenditures continue to hold primary geopolitical significance insofar as being an effective and militarily potent state is seen as a way to safeguard one's strength in an unstable world.

### 4.3 *The structure of capitalist state competition and the Soviet Union*

An analysis of the driving forces behind the 'East-West conflict' is an important component of theorising the state system and geopolitical conflicts *after* the phase of 'classical imperialism'. This particular historical example illustrates the benefits of using a broadly defined notion of capitalism, a global analytical perspective, as well as a differentiated understanding of geopolitics.

For the United States, the massive build-up of Soviet-controlled arms after the Second World War along the cease-fire line in Eastern Europe represented a significant obstacle

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236. See Altvater and Hübner 1988.

237. I describe this process more extensively in ten Brink 2004, pp. 107 et sq.; compare R. Brenner 2006, pp. 96–142; Harman 1999a, pp. 75–121; from the perspective of regulation theory, see Conert 1998, pp. 288 et sq.; Hirsch and Roth 1986.

238. R. Brenner 2004, p. 20.



to realising its goal of a liberal capitalist world order.<sup>239</sup> Soviet expansion into Eastern Europe in the second half of the 1940s was tolerated, albeit with great concern. At the same time, there were fears in the US about a further expansion of ‘communist’ spheres of influence and dominance in other parts of the world.

But what was it, precisely, that was expanding in Eastern Europe? Which imperatives did the policies of the Soviet Union and other ‘socialist’ states obey? Many theoretical approaches in the discipline of international relations have taken up this question of Soviet foreign policy and that of other ‘socialist’ states in largely insufficient ways. Neo-realist perspectives in IR, for example, typically view the East-West conflict too simplistically as a type of classic great power conflict in which each increase in the enemy’s power is seen as a threat and thus must be met with an equal increase in one’s own power (the so-called ‘security dilemma’). In liberal and many Marxist-inspired studies, by contrast, this antagonism is considered to be a secular conflict between different forms of social systems or ‘worldviews’. For their part, neo-institutionalist perspectives typically view the limited regulation of East-West relations as the cause of the Cold War, or the establishment of cooperative modes for engaging in conflict as a means of avoiding ‘hot’ wars. In other studies, the emphasis is placed on the reactive character of Soviet foreign policy.<sup>240</sup> As is often argued in current theoretical analyses of imperialism, between 1945 and 1989 ‘only the American state was actively “imperialist”’.<sup>241</sup> The IR theorists Müller and Schörnig use this kind of conclusion to argue that ‘Marxist’-oriented theories of imperialism are fundamentally flawed.<sup>242</sup>

The Cold War was not merely a *system* conflict: in the following discussion, I apply the general theoretical approach outlined in this book to argue that ‘socialist’ states were subject to the very same imperatives as the ‘capitalist’ West was. Consequently, the East-West conflict can be conceptualised as an antagonism between two *capitalist* world orders, even if their respective political and economic systems manifested in different ways. As Adorno suggests, this contradiction is *the* defining characteristic of the world order phase between 1945 and 1989: ‘Even the theories of imperialism do not become obsolete due to the forcible withdrawal of the great powers from their colonies.

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239. Even into the 1920s, this ‘system’ conflict led ‘to only partial and regional tensions, because this antagonism was only one among several internationally and the international system was structured in a pluralistic, multi-polar way’ (Link 1996, p. 248). In the context of the perceived German and Japanese threat, a change in political directions took place in the United States towards cooperating with the Soviet Union.

240. For an overview, see Link 1996; Ruloff 1990; Zürn and Zangl 2003, pp. 38–148. In Marxist-oriented debates from the 1970s about the state and the world market, the Cold War plays a subordinate role. Neusüss refers to a ‘second level of class struggle’ – the ‘level of state antagonisms between different social systems’ (Neusüss 1972, p. 206). In an otherwise substantial essay by Poulantzas on the structure of the *world* system, the East-West conflict is hardly mentioned at all (Poulantzas 1974).

241. Panitch and Gindin 2004a, p. 16.

242. Müller and Schörnig 2006, p. 70.



The process which they referred to continues in the antagonism of both monstrous power-blocs'.<sup>243</sup>

Behind these theoretical deficiencies is the notion that fundamentally different forces drove the foreign policy in the systems of the East and West. There are several different ways to begin to correct this perspective. Kees van der Pijl has tried to identify two different ideal types based on the combined and uneven development of world capitalism and the various complexes of relations between the state and society. His work can be seen as one effort to describe the phenomenon of Soviet (foreign) policy. On the one hand, van der Pijl identifies a predominant 'Lockean core area' in which social processes largely regulate themselves, and on the other 'Hobbesian peripheral states' in which the dynamic of social integration is initiated by the state:

Broadly speaking, rich countries are thus congruent with the Lockean center. The heteronomous, penetrated periphery, by contrast, is not only ruled by poverty, but also suffers from unclear power relations, disorder, and arbitrary rule. Between these two extremes, states and societies have developed that – despite all existing differences – can logically be characterised as Hobbesian configurations.<sup>244</sup>

Such Hobbesian peripheral states ranged from 'Richelieu's France and Prussia in the era of the Stein-Hardenberg reforms, to Meiji Japan, the Soviet Union, and Eastern Europe after the Second World War, and finally to the major Third World countries such as China, India, and Brazil in the 1960s and 1970s'.<sup>245</sup> The 'Hobbesian' states oriented themselves on capitalist imperatives so as to compete with the 'Lockean' core areas – or even to out-compete them. The Soviet state established this goal through the process of the 'passive revolution'.<sup>246</sup> The industrialisation process under such extreme conditions of economic backwardness required a particularly despotic form of the state. The process of early capital accumulation that took place over centuries in Western Europe was imposed in the Soviet Union in the most brutal of ways in the course of the 1920s, that is, in roughly one decade. The result, however, was similar: peasants were separated from their means of production and could thus be compelled to sell their labour power.<sup>247</sup> A ruling 'state class' formed itself through this process that made use of capitalist methods.<sup>248</sup> From this point on, in legal terms, the party-controlled state, ostensibly was a workers' and peasants' state, in fact owned the means of production. Hidden behind this phenomenon

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243. Adorno 1968, n.p.

244. Van der Pijl 1996, p. 20.

245. *Ibid.*

246. Van der Pijl 2006, pp. 217 et sq.

247. Earlier (between 1917 and 1923) and in the context of extreme backwardness in socio-economic relations and the failure of social revolutions in other industrialised nations, this resulted in the degeneration of the Russian Revolution. In this way, the social, political and cultural advances of the revolution in 1917, such as workers' councils, legal measures to establish social equality, and cultural freedoms atrophied and ultimately were abolished.

248. Van der Pijl 1996, pp. 173 et sq.

was the reality of class exploitation, similar to the formal equality of capitalists and workers on the market. As a new ruling class, the party and state bureaucracies held power and used it to exercise their discretionary power over the means of production.<sup>249</sup> ‘The “real socialist” state apparatus, which took the form of special ministries for the smallest branches of industry, behaved like a working group for capitalist big industry’.<sup>250</sup>

How can this dynamic be generalised theoretically? Is this really the same process here that played out in the eighteenth century in late-feudalist, absolutist states in an effort to emulate the capitalism of Great Britain? Such a claim may not in fact be very convincing. There are unavoidable differences between the era of absolutism and the era since the 1920s. Among them is the consolidation of the capitalist world market, but also the fact that by the early 1920s the Tsarist élite barely existed anymore (because they were expropriated and later emigrated). Instead, the Stalinised Communist Party (with the help, as well, of former state personnel) took control over Russian industry, and – in the context of considerable external geopolitical pressure – forced the entire society to subordinate itself to the demands of competition with capitalist states.<sup>251</sup>

In the efforts by Castoriadis, Cliff, and Mattick at theorising the Soviet Union’s ‘socialist’ foreign policy after the 1940s, the East-West conflict played a particularly significant role as part of a collective international context of imperialism.<sup>252</sup> This analysis addressed the ‘imperialism’ of the Soviet Union (and later of China).<sup>253</sup> Nowadays, it is possible to build on these approaches, as well as on studies of Stalinism from the last 20 years.

For want of a better term, then, I use ‘state’ or ‘bureaucratic capitalism’ to characterise the countries of the Eastern bloc. The term is not without its ambiguities, because it can express a number of different things at once. My understanding of this term is different from what Friedrich Pollock argued in the 1930s (and, strictly speaking, from what Bukharin argued in the 1920s), namely that ‘state capitalism’ had overcome the laws of value and accumulation such that the old mechanisms of crisis no longer applied.<sup>254</sup>

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249. See Mattick 1969. Using the example of the East German working class, Heike Solga has shown that this class was excluded from relevant political and economic decisions. Instead, a small layer of party and state bureaucrats from the Socialist Unity Party used their social position of dominance to control production: ‘The separation of the (legally defined) “people’s property” from actual discretionary power over the means of production caused the development of different classes. As was the case in capitalist societies . . . : Those who decided what was produced and how also had the power to decide how the wealth produced would be distributed’ (Solga 2001, p. 37; see also Resnick and Wolff 1989, pp. 269 et sq.).

250. Krysmanski 2004, p. 37.

251. Castoriadis describes this as ‘bureaucratic capitalism’, because in the Eastern bloc, as in Western capitalism, all means were used to ensure the unlimited expansion of dominance over nature and society and the unlimited development of productive forces (Castoriadis 1988b).

252. See Castoriadis 1988a; Cliff 1996; Mattick 1969.

253. Some Maoist analyses of imperialism used the category of Soviet ‘social imperialism’, but I do not examine them here in any further detail (see Schmierer 1981).

254. See Pollock 1975a, 1975b.

In order to avoid misunderstandings of the term 'state' or 'bureaucratic capitalism', the starting point for analysis must be the global economy, the international state system, and further inter-societal power relations. From a global perspective, the trend towards state-led national economies represents a characteristic feature of the phase of capitalism after the 1930s. To a certain extent, the states of the Eastern bloc represented the most extreme form of state intervention. At the same time, the rhythm of the world economy dictated the dynamic of valorisation for each state, as well as the power relations of the state system. This also found expression in the tendency for the world economy to fall into crisis. In other words, the characteristic features of capitalism that I described above appeared once again in a modified form.<sup>255</sup>

#### 4.3.1 *The pressures of capital accumulation in the Eastern bloc*

The goals of Stalinism that had developed by the end of the 1920s, namely to catch up and ultimately to surpass the economic advances in the West, required a policy of autarchy. As it happened, this policy met with a series of favourable conditions at the beginning of the 1930s. All the major economies at that time were subject to pressures to isolate themselves.<sup>256</sup> This pressure was most radically expressed in the Soviet Union. In the wake of the international economic crisis after 1929, such isolation in fact provided protection. The alternative would have been to allow Soviet production units to enter into a suicidal competition with more advanced individual capitals in the West.

State interventions and the centralisation of investment decisions allowed for a rapid increase in production. The cause for this could be found in the combined and uneven development of capitalism, which partially allowed states in 'backward' societies to expedite their own successful economic development. Accompanying this goal of an isolated economy was the build-up of a gigantic military machinery. The state was thus able to use specific means to prevent foreign capitals from penetrating the domestic market (through a ban on private property, for example). Moreover, the policy of isolation also contained controls on economic transactions outside its territorial borders. The military-industrial system in the Soviet Union became the basis for the bureaucracy's dominance.

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255. In this way, a 'statist' form of the exploitation of wage labour predominated. In some studies, the term 'state capitalism' is developed on the basis of class theory (Dale 2004; Haynes 2002a; Resnick and Wolf 1989, 1995). Robert W. Cox emphasises the pressures exerted by the imperatives of the world system on the Soviet Union in similar ways to the approach I am using here (Cox 1987, pp. 200 et sq.; Cox 1991, p. 170 et sq.). By contrast, he analyses the internal system of the Eastern bloc as a 'redistributive mode of development' (Cox 1987, pp. 53, 398–9). This separation of the 'internal' mechanism from 'international' competition is not plausible in my opinion, since the 'internal' mechanism of deciding on investments is affected precisely by the 'external' momentum of the international context of capitalism, which was mediated largely by the arms race.

256. Altvater and Mahnkopf 1996, pp. 395–6. In the 1920s, the Soviet Union found itself in a particularly unfavourable situation due to international isolation. Nevertheless this isolation soon had a positive effect: 'Paradoxically this was soon to provide it with its most powerful ideological argument. [The Soviet Union] seemed to be immune to the gigantic economic depression which devastated the capitalist economy after the Wall Street crash of 1929' (Hobsbawm 1996, p. 375).

Military competition during an economic era of relative autarchy and under the specific condition of weak private capitalist forces allowed Russian society to transform into a type of war economy, as Edward P. Thompson explains:

In the 1930s the priority upon heavy industry had a heavy military accent: militarism was built, not only into the superstructure, but into the base. And militarism inevitably found a huge (and popular) extension in the Great Patriotic War. . . . The arms complex is as clearly the leading sector of Soviet industry as it is in the United States, but this is expressed within bureaucratic modes of operation.<sup>257</sup>

Oriented on 'external conflict', the military-industrial complex was the most important industrial sector in the Soviet Union until its demise in 1991.

Up through the 1960s, the Soviet Union developed extraordinarily quickly in terms of GDP growth rates.<sup>258</sup> This growth provided the material justification for Western 'fears' of communism.<sup>259</sup> Industrialisation focused on capital goods, that is, it rested on extensive accumulation at the expense of consumer goods. In part, GDP growth rates were higher than in Western industrial states.<sup>260</sup> Bringing the Eastern European states under Soviet dominance led to something like a 'Pax Sovietica', even if the creation of Russian control was carried out more violently than the imposition of US hegemony in Western Europe. Compulsion was the preferred method of incorporation.<sup>261</sup>

By the end of the 1960s, GDP growth rates began to weaken. The conditions that had supported economic growth in the 1930s instead led to stagnation after several decades of high growth rates. In many 'socialist' states, the result was sinking rates of productivity and the creation of domestic reserve pools of labour.<sup>262</sup> The increased readiness to open the economy directly to the world market brought certain economic success at first. However, growth rates never returned to the levels of the postwar era. In the 1980s, the Soviet economy stagnated.

As Altvater and Mahnkopf emphasise, an explanation for the rise and fall of 'socialist' planning in the East is possible in the context of an ever-changing international economy.<sup>263</sup> The severe crisis in the international economy after 1929 provided a relatively efficient start for the model of 'late-developing industrialisation with import substitution within a national space'; this same model, however, began to reach its limits once the world market had been re-constructed after 1945. Increasingly, the state's goals of relative autarchy

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<sup>257</sup>. Thompson 1980, pp. 19–20.

<sup>258</sup>. Maddison 2001, pp. 184 et sq.

<sup>259</sup>. One interpretation of the Cold War has viewed it 'not as a conflict, but rather as a form of tacit agreement', as an 'imaginary war' (Kaldor 1991, p. 168) that allowed the two superpowers to ensure the regulation of their respective *domestic* relations. In light of real Soviet economic growth up to the 1960s, this notion appears to be too one-sided.

<sup>260</sup>. Haynes 2002b, p. 193.

<sup>261</sup>. Deppe 2006, p. 68.

<sup>262</sup>. Bohle 2002, pp. 59–60.

<sup>263</sup>. Altvater and Mahnkopf 1996, pp. 400 et sq.

failed to bring success. The pressure to develop productive forces – which, at the end of the nineteenth century, tended towards monopolisation and centralisation, and fostered the bonding of corporations, capital fractions, and individual states – tended precisely to *transcend* national spaces after 1945. The attempts to limit such ‘border crossings’ and the new and related international division of labour ultimately led to increasingly inefficient capital accumulation. This applied with differing degrees of intensity to all three variations of capitalist state *dirigisme* after the 1930s, that is, ‘socialist planning’ in the East, the ‘Keynesian interventionist state’ in the West, and the ‘development state’ in the Global South.<sup>264</sup> Even though these efforts tried to use state regulation to overcome ‘disturbances’ to capitalist accumulation – the ‘planning and development state’ is rightly conceived of as the ‘product of a specific phase of capitalist development’ – they nevertheless failed once the long postwar boom had ended and they were confronted with new tendencies towards crisis.<sup>265</sup>

From the perspective of the Soviet Union, geopolitical, military competition between states was necessary so as to avoid the sort of direct market competition that questioned its state-led economy in the first place. Soviet foreign policy activities reproduced themselves in reaction to international economic developments – that is, as an effort to counteract potential damaging effects of market competition by shifting that competition to the geopolitical dimension. Nevertheless, a purely economic competitive pressure also played a role in the history of the Eastern bloc. In contrast to the Stalinist myth of ‘two world markets’, there was a direct connection between the Eastern bloc and the world market.<sup>266</sup> Already in the stage of early industrialisation, the Soviet Union in fact

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264. Almost all weaker and/or new capitalisms rely on state-directed accumulation. Besides favourable international political conditions, the basis for the rise of the South Korean economy, for example, was state intervention. By using multi-year economic plans and controlling domestic financial markets, the state imposed the investment foci of its choice and was thus able to occupy specific export niches. Military dictatorship and state-run labour unions resembled those of the Stalinist systems (You 2002, pp. 111–31). Similar developments in state capitalism played out in Singapore after 1955, a *de facto* one-party-state of Singapore under Lee Kuan Yew. Yew’s political and ideological turns from socialism to anti-communism and ultimately to Confucianism did little to change the socio-economic base in Singapore (Lee 1997, pp. 54–71).

265. Altvater and Mahnkopf 1996, pp. 397–8.

266. Moreover, there was an internal competition between individual capitals within the countries of the Eastern bloc. Despite central planning, capitals interacted with each other as ‘many’ capitals: ‘The enterprises were, of course, under the thumb of the “centre” [the party-state]. But, as fragments of this totality, they confronted one another as autonomous units based on wage-labour, whose product took commodity form’ (Chattopadhyay 2004, p. 116; compare Chattopadhyay 1994, pp. 53 et sq., 127 et sq.). As economists have shown, the process of national planning was also a competitive process that manifested as the antagonism between the central plan and local managers’ interests, among managers, between managers and workers, and between workers and the labour market. Patrick Flaherty describes this as ‘plan anarchy’ in which an administrative commando centre attempts to gather a majority of competing economic ‘sub-units’ behind an overarching strategy for accumulation (Flaherty 1992, pp. 120 et sq.).

For more recent studies on the causes of stagnation and crisis-proneness in the Soviet Union and in other ‘socialist’ states, see Chattopadhyay 1994, pp. 67–98; Flaherty 1992; Haynes 2002b, pp.

relied on the transfer of Western technology: 'If one only considers the relatively limited scope of Soviet foreign trade between 1917–1975, then this notion [of autarchic economic development] seems to hold. However, when one considers the content of that foreign trade – not merely its economic scope, but also its quality in terms of use values – then a completely different picture emerges: namely, a high degree of technological dependency of Soviet industrialisation on the world market that lasted through this entire period'.<sup>267</sup> Thus, in terms of structure, foreign trade in the relatively backward Soviet Union almost had a character of an underdeveloped country insofar as raw materials and half-products were exchanged for highly developed technologies. In the 1960s, economic relations with the rest of the world outside the structure of the Commission for Mutual Economic Assistance (COMECON) grew more intensive.<sup>268</sup>

The COMECON was formed in 1949 in response to the Marshall Plan and other US policies oriented on the international market. The COMECON represented an attempt, albeit a failed one, to become less dependent on the international market: 'After 1958, Western market prices were used retroactively to varying degrees as the basis for prices. After 1975, the average value of world market prices over the previous five years determined intra-COMECON prices. Thus, in a modified way the COMECON stood in relation to the world market, which repeatedly led to conflicts of interest among the COMECON countries'.<sup>269</sup> We can thus describe this relationship as a modified form of the capitalist imperative to accumulate.<sup>270</sup>

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99–106, 191–204; Dale 2004, pp. 213–54. The rigidity of central planning in the context of relative industrial backwardness with respect to the strongest Western economies brought about specific forms of capital over-accumulation, economic disproportions, and discrepancies between the standards and expectations used to plan centrally and what local areas were in fact able to fulfill. Moreover, the contradictions of authoritarian dominance and military 'overstretch' (for example, at the end of the 1980s, between 15 per cent and 27 per cent of GDP were spent on arms production) forms additional bases for the régime's crisis-proneness.

267. Spohn 1975, p. 230.

268. Dale 2004 pp. 218 et sq.

269. Klenke 2001, p. 32.

270. For the Soviet economy, we can say that this imperative appeared in a modified form similar to what existed in monopolised sectors of Western national economies, or in state-run corporations: 'But the sense that bureaucratic distortion did exist in value relations and that the pressure of the law of value operated unevenly across the economy is of some importance. If, however, the pressure of the law of value is seen simply as a product of internal relations, it becomes difficult to analyse this. Western business economists, on the other hand, well understand that the more distant the pressures of the "market", i.e. the more internal the operation of the firm, the greater the problems of efficient operation and resource allocation. Allocative and non-allocative efficiency is no longer so rigidly policed by the law of value. In the Soviet economy, this was writ large. We would suggest that the crucial point is that, for most of the economy, the law of value, without disappearing, was felt in inverse ratio to the closeness to competition with the external world, whether in a conventional market form or the less conventional military form. As one Soviet writer said in the early 1980s, when it comes to arms production, "we have to compare our product all the time with those produced abroad, what a pity this is not done in the case of civilian machinery"' (Haynes 2002a, 345). It was not the direct quantity of competitors that was decisive, but rather the quality of the competition (Sayer and Walker 1992, p. 156).

More recent studies on socialist states have demonstrated the Soviet system's inability to adjust to internationalising capital flows after 1945 as one of the more important causes of its decline. In his study on the development of micro-electronics, Olaf Klenke describes how the GDR, as part of the Soviet 'empire', attempted to acquire the know-how of this promising form of technology in the context of a Western embargo. These efforts included using informal channels, illegal deals with Western firms, and forming a partnership in 1980 with a Taiwanese corporation.<sup>271</sup> After the 1960s, trade with industrialised Western nations had already increased. In the wake of the 'micro-technological revolution', the East German economy fell behind its Western competitors considerably. It is understandable, then, that the military 'stalemate' between East and West imposed a disproportionately higher burden on the economies of the Eastern bloc, given their lower productivity as compared to Western economies. 'Growing arms expenditures thus continued to rob even more means for economic modernisation. ... [The Warsaw Pact states] were subject to a burden more than twice as great if they intended to maintain an equilibrium in military terms as well'.<sup>272</sup> This shows that, despite the state's monopoly on foreign trade, the 'socialist' economies were far from being independent national economies. Much more so, they were part of the global economy and the international state system, and were increasingly forced to face the competitive relations that already existed in both systems.

All told, the lack of technology transfer resulting from isolation from the world market reflected the dilemma of orienting a national economy on autarchy. By adopting such policies, a given economy could not benefit from, let alone exploit, the advantages offered by a new international division of labour. For example, it mattered that the 'multinational' corporation had become a key term already in the 1960s to describe the increasing importance of corporations active at inter- and transnational levels. That is, the very notion of closed economies became increasingly obsolete. The more global the process of product development became, as with the case of microelectronics, the more obvious it became that the Soviet world order model was deficient. State *dirigisme* prevented profiting more from internationalising tendencies: 'Because the restructuring of the GDR and other Eastern bloc countries caused far greater problems than similar restructuring did in the West, the collective crisis in relations between the state and capital, which is related to globalisation, hit the GDR and other Eastern bloc states harder – the chain broke at its weakest link'.<sup>273</sup> The transition from 'Fordist' to 'post-Fordist' forms of labour and consumption was the least effective here.

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271. Klenke 2001, pp. 98–9.

272. Klenke 2001, p. 33.

273. Klenke 2001, p. 109. This issue was reflected as well in antagonisms within the ruling party and state bureaucracy (and not only in the Gorbachev era alone). Gorbachev-era reforms reflected a desperate attempt to integrate the Soviet Union and Eastern bloc into the international market in the context of modified state-capitalist structure and class relations (Altvater 2001, p. 8).



In principle, the structural features of capitalism continued to have an effect in the Eastern bloc in a modified form. After the phase of primitive accumulation along the lines of forced labour in the Gulag, strict labour laws, the destruction of an independent peasantry and the subsequent enlargement of an industrial working class, and so on – labour became further subsumed to (state) capital. This expressed itself as a tension between labour controls, growing real wages, a drastic reduction in forced labour, and growing productivity.<sup>274</sup>

As I have described, in the context of the extreme situation of the 1930s, an international trend to form various types of ‘state’ capitalism took hold. This trend found its most extreme expression in the Soviet Union. Thus, the individuation of the political, which exists as a structural feature of capitalism, was repressed as a relatively independent sphere in the Eastern bloc.<sup>275</sup> As collective owners of the means of production, state and party bureaucrats became the dominant social actors. Consequently, the narrow conflation of economic and political power and the related lack of a ‘civil society’ became a main trigger for internal crisis within these societies. At the same time, this propensity for crisis was subject to the pressures of international capitalism at both domestic levels (e.g., ‘plan anarchy’, conflicting relations between the state’s central plan and its realisation at the local level, a shadow economy) and, importantly, at external levels (competition with the ‘West’). This expressed itself, among other things, as internal strategy conflicts among ruling power élites.

#### 4.3.1 *Soviet geopolitics*

By the end of the Second World War, the respective sphere of influence for each of the two superpowers had already expanded. One implication of the postwar confrontation between the two superpowers was that each feared that the other’s sphere of influence would only continue to grow. Should their rival explicitly attempt to do so, both expected a major conflict to ensue, up to and including atomic war.<sup>276</sup> Because each side had a direct interest in shifting the balance of international power relations in their favour, the era after 1945 was not merely an instance of an active US and a reactive USSR. Instead, the Soviet state pursued its own active foreign policy. Yet, although the USSR after 1945 was a strong military power, it did not possess anything like the economic power of the United States, an imbalance which limited its geopolitical and military influence.

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274. Clearly, there existed different wage relations in Western (private) capitalisms (see Deppe and Hoß 1989, pp. 15–26; Haynes 2002b, pp. 165–88; Nolte 1982, p. 76). Yet, these are comparable, for example, with South Korean or other developmental state-led forms of capitalism.

275. Of course, the concept of the individuation of the political within an internationally fragmented capitalism describes little about the concrete content of this relation, for example, about the degree of state interventionism.

276. Müller and Schörnig 2006, pp. 74 et sq.



In the years after 1945, Soviet geopolitics concentrated on taking power in Eastern Europe. This led to the widespread plundering of productive forces and resources.<sup>277</sup> Tony Cliff compares Soviet foreign policy of this era with Japanese imperialism before 1945, even though the USSR did not suffer from surplus capital nor did wage increases threaten its very existence: 'The Japanese state saw in Manchuria "an extension of the homeland". The Stalinist state looks upon the Ukraine, the Caucasus, Rumania, Bulgaria, etc. in the same way. . . . In the same way as Japanese imperialism looked upon the a-development of Manchuria as a necessary step to bridge the distance between it and the advanced powers of the west, so the Stalinist bureaucracy is driven to an imperialist policy for the same reason'.<sup>278</sup> Furthermore, as Hannah Arendt writes, the need for additional labour-power and geopolitical considerations fueled Soviet expansionist policies. 'The satellite system . . . was born in the post-war constellation of two great powers agreeing between themselves about their spheres of influence. As such, the satellite system is the Russian answer to the American system of alliances, and their sham independence is important to Russia as the reflection of the intact national sovereignty of America's allies'.<sup>279</sup> In the satellite system, show trials functioned to break the resistance of local Communist Parties to Soviet control. National police apparatuses were themselves under surveillance. Consequently, Soviet geopolitics of the 1940s and 1950s can be compared to the 'continental imperialism' of Japan or Tsarist Russia. However, it should be noted that Soviet geopolitics merely pursued expansionist aims; these aims were not explicitly race- and ethnicity-oriented as were those of the latter two.<sup>280</sup>

Additionally, the period between 1949 and 1961 encompassed an attempt (that ultimately failed) to integrate Maoist China into the Soviet sphere of influence. From the 1960s on, the Soviet Union expanded its scope further, indeed beyond the COMECON, by trying to widen its sphere of influence to include, for example, India, Syria, Iraq, Somalia, Ethiopia, Angola, Egypt and Cuba – and not always successfully.<sup>281</sup> In this way, the state leadership acted pragmatically in accordance with the motto that the USSR could improve its global position through close contact with the countries of the Third World – 'even by approaching regimes that Stalin had assessed as still hopelessly bourgeois'.<sup>282</sup>

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277. In the Soviet occupation zone in Germany, approximately 30 per cent of all industrial warehouses were dismantled. The burden that reparations (including demolitions and production) placed on the East German economy is estimated to have remained around 25–30 per cent of GDP in 1950 (Klenke 2001, p. 27).

278. Cliff 1996, p. 252.

279. Arendt 1958, p. 39.

280. *Ibid.*

281. In the 1970s, the pressure to expand sharpened relative to US weaknesses (due to its defeat in Vietnam, economic problems, and so on). The Soviet Union saw itself as the winner in this inter-imperialist competition. What was significant from the Soviet perspective was 'the fact that "changing international power-relations" – the term entered the Soviet lexicon in the mid-1970s – promised a quick victory for the progressive forces associated with the Soviet Union' (Kanet 2006, p. 71). Moreover, the USSR expanded its strategic weapons systems and fleets in this era.

282. McMahon 2006, p. 22.

Support for national liberation movements was thus largely a function of geopolitical concerns. At the same time, countless developmental régimes in the Global South fell closer in line with Soviet economic and social policies.

All in all, Soviet geopolitics did not possess the same potential for influence that US geopolitics did. In its own goals to control international spaces, the US state eschewed the sort of direct control over a satellite system, backed up by the military, like the one the Soviet Union had set up in Eastern Europe. It did, however, develop a far greater number of instruments to expand its international influence (precisely through soft geopolitics) and at times to back that influence up militarily (through hard geopolitics). The partial integration of European power élites was just as important for US geopolitics as military intervention was in Vietnam or the support of pro-Western movements in the Middle East and Latin America.

Yet, the Soviet Union, too, was involved in a number of violent conflicts.<sup>283</sup> By relocating the Cold War to the ‘periphery’, many local conflicts were brought closer to home. According to McMahon, between 1945 and 1990 there existed a ‘significant, constitutive, although hardly immediate or even causal relationship between the Cold War and the hot wars in the Third World’.<sup>284</sup> That is, even if these conflicts were not intentionally provoked by either of the two superpowers, the US and Soviet Union still influenced the course, direction, and duration of them (as exemplified by support for different warring parties in African states such as Angola).

The claim has been made that the Soviet Union was unable to draw any direct economic benefits from its satellite system over the course of the Cold War. Even if this is accurate in economic terms, there is still no evidence that the character of the Soviet Union was somehow ‘non-capitalist’ or ‘non-imperialist’. Likewise, up to the 1970s, US

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283. This was true as well for conflicts within the ‘socialist’ world of states, which itself was a collection of highly militarised countries. In 1986, three of the five largest armies in the world (in terms of troop numbers) were found in ‘socialist’ states (the Soviet Union, China, and Vietnam). There was an important gap between socialist intentions and reality. The Soviet Union not only threatened repeatedly to intervene directly in other states, but also followed through on those threats: in Hungary in 1956, in Czechoslovakia in 1968, each time with around a half million soldiers in operations that lasted for months. In addition to these were the threats of military action against China and Poland in the 1980s. China itself ‘dealt out’ military ‘lessons’ to Vietnam in 1979 (Senghaas 1988, pp. 111 et sq.). If these intra-socialist conflicts were understood as ‘ideological’ antagonisms, there were nevertheless ‘security policy conflicts’ behind them – ‘first, in the power figure [*Machtfigur*] between China and the Soviet Union in terms of their dependent relations with the US and Japan; second, in the triangular relationship between the Soviet Union, China, and Vietnam; and third, in the relations between the Soviet Union and Eastern Europe, in which Eastern Europe played the role of *cordon sanitaire* with respect to the Western military alliance’ (Senghaas 1988, p. 116). Unstable régimes in Eastern Europe and attempts for greater autonomy risked cutting through the *cordon sanitaire*. Also, tangible conflicts over economic policy arose, such as the conflict over the Soviet Union’s demand for an ‘international socialist division of labour’: in the early 1960s, North Korea and Romania refused to accept this ‘uneven exchange’ (Senghaas 1988, p. 117). In addition to this were conflicts that grew historically between the Soviet Union and Poland, Yugoslavia, and Albania, as well as between the Soviet Union and China.

284. McMahon 2006, p. 16.

profits from foreign direct investments never surpassed arms expenditures.<sup>285</sup> Officially, superpower imperialism portrayed itself either as 'defensive/socialist' (in the USSR) or as 'peaceful/democratic' (in the US). Such self-styling, however, obscured the similarities between both imperialisms. In both states, prevailing interests attempted to continue or expand capital accumulation, even if in contradictory ways, and thus to secure the accumulation process in geopolitical and socio-spatial ways. The enormous costs of these respective geopolitical strategies – as 'irrational' as they seemed to be to individual commentators – were thoroughly 'rational' in the confrontation between two capitalist world order models, in the sense that the propagandists of the Cold War considered them to be a necessary evil in the defence of each respective system. It is the case that the 'classical' colonialist-imperialist interests of direct economic exploitation did lose some of their relevance. However, the practice of 'power expansion' by applying soft and hard geopolitical measures played an even larger role.<sup>286</sup>

In his article on the East-West contradiction, Thompson concludes that: 'Viewed in this way [that is, from the perspective that their behaviour ossified and grew increasingly similar], the USA and the USSR do not *have* military-industrial complexes: they *are* such complexes'.<sup>287</sup> In this way, the militarisation of society was an important prerequisite in both blocs for sufficient 'internal' support and legitimation. Michael Mann has conducted a study on the differences of US and Soviet militarism in which he argues convincingly that élites in both states pursued an 'ideology of deterrence' to equal degrees: 'Such then is deterrence-science militarism, instrumentally rational, modernistic, private and shared between the Superpowers'.<sup>288</sup>

Ultimately, it was a geopolitical intervention that facilitated the fall of the USSR: the Soviet invasion of Afghanistan in 1979, which attempted to install a Soviet-friendly government to counter growing resistance among parts of the population, initiated one of the most brutal military interventions of the entire Cold War. The ten-year-long intervention contributed to the destruction of Afghan society, but also to a crisis in Soviet society. This failed ground war would become the Soviet Union's 'Vietnam'.<sup>289</sup> Consequently, the USSR had to acknowledge its defeat in the 'Second Cold War' of the 1980s.

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285. Harman 1999a, p. 87.

286. Castoriadis 1988a, p. 258. In fact, it was seemingly irrational power-political interventions and the need 'to show strength' that determined the behaviour of each competitor. This might explain why conflicts so often broke out in those areas in which there were no vital economic or security interests at play (McMahon 2006, pp. 25–6).

287. Thompson 1980, p. 23. One need not define a new stage of civilisation, as Thompson does and labels as 'exterminism', in order to understand this context. Rather, one should assume a new phase of geopolitical conflicts that played out differently from those of earlier eras given the context of the technological means of destruction that had the potential to eradicate all of humanity.

288. Mann 1987, p. 46.

289. Kolko 2002, p. 49.

In the end, its 'imperial overreach' became one of the primary causes for its deteriorating economic conditions.

#### 4.3.2 *The East-West conflict: Consequences for theory building, consequences for US politics*

The Cold War held considerable implications for the analysis of imperialist phenomena. Under US leadership, the geopolitical arms race overlayed economic competition within the 'West' and thus led to geopolitical competition growing *partially independent* from economic competition.

In an early essay, Mary Kaldor makes note of a 'disconnection' of economic competition (within the 'West') from the military competition between the US and USSR. In her analysis of a 'detachment of war from the means of production', however, she separates geopolitics and 'economic logic' in too mechanical a way.<sup>290</sup> It is perhaps more plausible to speak of a *partial* individuation of geopolitical from economic competition. The 'Western alliance of states' came together in the context of the East-West contradiction in such a way that excluded hard forms of geopolitics from breaking out within the alliance. Noticeably, the cementing of this particular structure depended significantly on the economic, political, and military primacy of the US. This issue must be part of analysing the extent to which this specific structural relation will expand over the next decades or will be called into question.

The Cold War phase generated a number of theoretical conceptions that – by focusing too narrowly on just the 'West' – posited either the 'end' of imperialism or the emergence of an ultra- or superimperialism. Such notions held that the contradictions between capitalist powers had been reduced or even overcome, and that, instead, the 'North-South' conflict had become central.<sup>291</sup> By continuing to narrow their perspective on the West, many scholars are still misled by the claim that the Cold War marked a qualitative transformation away from intra-imperialist or geopolitical contradictions. Instead of a relative containment of geopolitical competition in the West within the context of the East-West conflict, a notion was developed of either collective control (in the case of ultra-imperialism) or control carried out largely to meet US interests (in the case of super imperialism). In either case, however, these tendencies only described a portion of the world economy, as I detailed above.

Political lessons from the East-West contradiction have been drawn on an entirely different level that continue to influence the self-image, political ideas, and practical policies of multiple US administrations: namely, the 'victory' over the Eastern bloc has sedimented in the collective memory of power élites and has nurtured a feeling of superiority in many intellectual circles, not only in 'neoconservative' ones.<sup>292</sup> This logic argues

290. Kaldor 1983, p. 709.

291. Sutcliffe 2002, p. 50.

292. Kolko 2002, p. 105.

that another superpower, the USSR, was 'peacefully' defeated by force of arms, that is, it was literally 'armed to death'. In this way, militarism has been confirmed as a legitimate means of foreign policy, a legacy for power relations within the US that has functioned to once again strengthen the belief in 'American exceptionalism' and self-righteousness, and thus should not be overlooked.<sup>293</sup>

Supremacy consciousness has endured under different international political auspices – the 'War Against Terror' and the intervention in Iraq, and so on, as asymmetrical forms of conducting war, cannot simply be equated with the confrontation between superpowers – which has led to considerable problems in foreign policy since 2003 and, correspondingly, to competing assessments among US power élites of foreign policy options. Notions of an historic 'American mission', however, are deeply anchored such that a policy reversal seems hard to imagine, even under different political leadership: '[T]here is little indication of a challenge in American foreign policy debates to the principles and assumptions of an international interventionism motivated by belief in special national mission. The country might find itself with a new administration in 2009 that provides a less abrasive and more courteous version of the American pursuit of world hegemony, but one still condemned by the inherent impossibility of success'.<sup>294</sup>

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293. See McCarthy 2007.

294. Pfaff 2007, p. 58; compare Layne 2006, p. 201.



Part Three

**Market-Liberal Statism:  
Contemporary Geopolitical Phenomena**





## Introduction to Part Three

The processes of socio-economic, political, and ideological crises in the 1970s, the altered social relations that resulted, and ultimately the upheavals of 1989 all allowed a new international power relation to develop. This specific power-structure, dominated by the United States, is rooted in a state system of market-liberal statism. This particular form of statism makes use of predominantly soft forms of geopolitics, but is not adverse to employing harder geopolitical forms when necessary.

Despite their theoretical assumptions about an inherent capitalist tendency towards lasting 'pacification', Jung, Schlichte and Siegelberg argue that the empirical 'evidence is mounting to suggest that with the crisis in Fordism and in the hegemony of neoliberalism since the 1980s, the immanent contradictions of capitalism have come to the fore and have thus revealed their more conflictual side'.<sup>1</sup> Since 2001, militarisation of US foreign policy in particular (but not only) has again shifted the reference points. Several scholars have described a trend towards greater use of hard geopolitics, one that in some cases reflects an indirect showdown between the strongest industrial societies and macro-regions.<sup>2</sup>

In this final part of the book, I take up the current balance between soft and hard geopolitics and the way in which such geopolitics are legitimised. Part of this analysis is a critique of the optimistic and hopeful 'theory of democratic peace'. I then test my theoretical propositions by analysing the US power élite and its unrealised global and imperial ambitions, transatlantic relations, and finally potential for major conflicts in the future between China and the US.

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1. Jung, Schlichte, and Siegelberg 2003, p. 53.

2. See Albo 2003; Callinicos 2003; Harvey 2003; Hirsch 2005.



## Chapter Seven

# The Balance between Soft and Hard Geopolitics

Cooperation, competition, and, at a more advanced stage, conflicts can be seen as different elements of the same international capitalist socialisation, in which *both* interdependence within a highly complex economic division of labour *and* competitive relations comprise fundamental structural features. Nowadays, foreign policy rivalries among the largest industrialised states on earth are most often fought out within an institutionalised context. In particular, the international institutions that 'Western' states established during the Cold War managed to survive after 1989, even if in a partly modified form, to expand the scope of their operations and influence, and to bring new states and/or regions into their fold. Related to this is the ongoing use of predominantly *soft* geopolitics: the economic and political resources of individual states or state alliances are used within a framework of inter- or supranational organisations as leverage to create the most favourable conditions possible for one's own foreign policy and foreign economic activity. 'Advanced capitalist states promote and regulate production globalization using state-created international organizations and trade agreements and intra-national policies and legislation that assist indigenous economic actors to execute transactions with competitive advantage over foreign counterparts. Examples include direct and indirect subsidies, technical assistance, and loans; tariff and non-tariff barriers on imports; dispute-resolution between economic actors; and intervention in capital/labor conflicts'.<sup>1</sup>

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1. Gritsch 2005, p. 8.

The strongest states are generally able to impose their strategies effectively on mid-sized or weaker states and/or regions.<sup>2</sup> In particular, weaker states are pressured to remove any legal or political barriers to foreign investments and to restructure their political institutions and policies according to ‘international standards’ – which are often US standards (but not always, since they are contested). They are pressured to do this, often under threat of sanctions, with the help of bi-, pluri-, or multilateral trade agreements, the EU, or other important international political institutions. In this way, rivalries among the strongest states repeatedly find expression in indirect ways.<sup>3</sup> Thus, select national and/or macro-regional interests are often imposed that represent disadvantages for other large states and/or macro-regions. In the process of designing the NAFTA free-trade agreement, for example, US investors won privileged access to Mexico’s hitherto protected bank, financial, and transport sectors, and thus gained competitive advantages over European corporations. The same holds for privileged access for Western European corporations to Eastern Europe as a result of the EU’s expansion to the east.

The renewed discussion about so-called ‘accumulation by dispossession’ demonstrates the ways in which soft and hard forms of geopolitics are interrelated: building on the work of Rosa Luxemburg, Harvey uses this term to draw attention to a second form of value appropriation – as *theft* and *wealth transfer* – in addition to the ‘expanded reproduction’ that is typical for capitalist relations. This appropriation is often imposed either by the threat or actual use of violence. Harvey connects the increasing significance of this appropriation of wealth since the 1980s to the unresolved problems of capital over-accumulation in metropolitan states. For example, according to Harvey, power élites in these spaces increasingly turn to privatising public goods, which was already the foundation for the original round of primitive accumulation, so as to maintain capital accumulation.<sup>4</sup> In concrete terms, Harvey draws direct connections between the most varied private, part-public, and public processes: international loans that limit whatever fiscal leeway that many countries have; the repayment of the same loans, which places these countries in a dependent relation;<sup>5</sup> the expropriation of assets through credit and stock manipulation (for example, of pension funds); the privatisation of public and intellectual property; the commodification of genetic material; or the depletion of natural resources.<sup>6</sup> This ‘expropriation economy’ works only because the actors involved in it

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2. In the 1990s, economic sanctions in the trade and financial sectors were implemented more often than at any other point in the twentieth century (Grieco and Ikenberry 2003, p. 172).

3. The attempts to establish so-called international or ‘global standards’ for economic policies often fail because of antagonisms *between* the largest industrialised nations. Thompson explores this issue with the example of conflicts since 1999 over the standardised demands that banks maintain certain minimal reserve levels, as well as conflicts over how banks will be monitored according to the Basel Accord 2 (Basel II) (Thompson 2005, p. 2067).

4. See Harvey 2003, pp. 143–51.

5. See Chesnais 2004.

6. In discussing accumulation through dispossession, it is important to avoid drawing hasty conclusions. In particular, the notion that expanded reproduction has been replaced by accumulation

are backed up by strong states that can use their international influence to subordinate weaker actors within the world system.<sup>7</sup>

The processes related to accumulation through dispossession can be identified as forms of geopolitics insofar as state institutions are involved in them, and use or threaten to use violence. Thus, soft and hard forms should be made distinct. The attempts to use financial power to intervene directly into other states, for example through the mechanisms of 'structural adjustment' (IMF), are based predominantly on soft geopolitics.<sup>8</sup> Here, we have to examine each case separately to verify whether these efforts result in the threat or use of hard forms of geopolitics. For example, there is no doubt that the attempt in 2003 to make Iraq 'useful' by means of a market-liberal economic adjustment relied primarily on hard geopolitical measures (military occupation) and thus should be characterised as an imperialist policy.<sup>9</sup>

In the historical constellation since 2001 (in the context of the 'New World Order' phase since 1989), the strongest states have complemented the prevailing use of soft geopolitics by using hard geopolitics more directly as part of their foreign policy repertoire. In a reversal of Gramsci's formula about the definition of a hegemonic situation, one could speak of a constellation characterised by 'coercion protected by the armour of consensus' rather than 'consensus protected by the armour of coercion'.<sup>10</sup> Haug describes a 'hegemonistic' US policy, insofar as it is based less on consensus than coercion.<sup>11</sup> In fact, the international policy of the US and its allies has lost some of the integrative abilities it had in the 1990s.<sup>12</sup> A sign of this new relationship between consensus and coercion is how the US relates to weaker countries. Up to the 1980s and 1990s, the US tended to use the 'soft' power of finance-capitalist mechanisms and/or economic-political institutions to control other countries. Moreover, European and Japanese power élites supported the US in doing this. By the late 1990s, however, this model came into question. Particularly in the Middle East, hard geopolitics have increasingly served as the means by which to assert one's interests, in part because oil-rich states are not as easily swayed by economic

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through dispossession is premature. A closer examination of the latter process reveals that it functions primarily as a positive impact on expanded reproduction. Ashman and Callinicos differentiate between processes of *commodification*, of *re-commodification*, and of *restructuring* (Ashman and Callinicos 2006, pp. 115–29). The first term refers to the appropriation of exchange values that have heretofore not existed in commodified form (for example, patenting of genes). By contrast, re-commodification describes the re-conversion of commodity forms (for example, the privatisation of public services). Finally, restructuring is a more general term referring to the process for changing the conditions of wealth production, such as the transformation of state to private capital.

7. See Zeller 2004a.

8. Donnelly 2006, p. 150.

9. Alnasseri 2004b, pp. 81–2.

10. See Gill 2000, p. 32; 2003b.

11. See Haug 2003a; 2003b.

12. Smith 2005, pp. 191 et sq.

pressure as are Latin American countries, for example: 'the states in the Middle East can thus not be disciplined by the IMF'.<sup>13</sup>

Geopolitical conflicts below the threshold of classical wars have repeatedly led to using, or threatening to use, military means. Increasing military expenditures over the last few years (and not only in the US) and the growing significance of military intervention are indications of this.<sup>14</sup> This development applies precisely to 'democratic' capitalist states, as peace scholars have demonstrated: 'In comparison to autocratic regimes, democracies are indeed less often caught up in interstate wars. They nevertheless demonstrate a high rate of participation in extra-state wars [that is, wars between states and non-state actors beyond existing state borders] and are quite likely to take part in military interventions'.<sup>15</sup> In today's asymmetrical structure of conflict – which might be captured with the term 'small war' or 'asymmetrical war' – the strongest states act in different violent ways.<sup>16</sup> Thus, military, strategic, and technological developments have created new options for intervening – precise air attacks, sea-based cruise missiles, and small special units all serve to increase 'military effectiveness' and to decrease 'risks to soldiers as well as the political and moral costs' associated with interventions. 'In this way, new opportunities for action present themselves that are beyond the classic inter-state war and the massive, direct military operations associated with them'.<sup>17</sup> In a similar vein, there are efforts to transfer the risks associated with ground invasions to local ground troops and use them as cooperative partners. Further, when military interventions are successful, they lead to a temporary constraint on the sovereignty of the affected state, that is, to a *de facto semi-sovereignty*. Among other things, this status is reflected in the informal protectorates of the new millennium: 'Sovereignty, however, whether equal or unequal, is a constructed legal relationship, not a material fact – or, rather, it becomes a material fact through historically variable and contingent social institutions and practises of recognition. A revival of, for example, treaties of protection and guarantee is unlikely. Informal protectorates, however, exist today in Iraq, Afghanistan, Kosovo and Bosnia'.<sup>18</sup>

Given this framework of trends towards market-liberal states and their internationalisation, re-articulation and innovation at military, strategic, and technological levels leads to a new configuration:

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13. Harvey 2004b, p. 39.

14. See SIPRI 2005. Seen in quantitative terms, Western interventions represent only a small portion of the wars taking place around the world. Nevertheless, these 'have likely had the greatest consequences for the international system' (Geis 2006b, p. 26).

15. Chojnacki 2004, p. 96.

16. This stands in contrast to the argument that a zone of 'lasting peace' (in the West) confronts a zone of 'new wars' (in the South) – according to this argument, Western interventions do not function so much as to expand a 'theft economy' such as colonialism, but 'rather, to contain and constrain such an economy' (Münkler 2002, p. 226).

17. Chojnacki 2006, pp. 51–2.

18. Donnelly 2006, p. 151.

As the state internationalises, the apparatus of force branches out to different levels and functional sectors. The result of this is military and police cooperation between states that is more or less firmly institutionalised, all while the US functions in a thoroughly confrontational way as the central force for guaranteeing capitalist productive relations internationally. Neoliberal restructuring involves the increased privatisation of the apparatus of force partly in the form private security services and surveillance agencies... Increasingly, governments contract private military corporations, as has been the case of the US in the Iraq War... At the same time, 'terrorist' forms of war are increasingly significant given the almost unlimited military dominance of metropolitan states. The result is that the limits on conducting war fall away, leading to a de facto permanence of war, which drives the further expansion of the apparatuses of repression and surveillance in specific societies. This also supports the growing entanglement of state and private apparatuses of violence. And yet, despite all this, we still cannot simply conclude that the state's monopoly on violence has weakened.<sup>19</sup>

Because intra-societal power relations so fundamentally influence the opportunities and scope of foreign policy activity, *legitimation discourses* play an important role in justifying the use of soft geopolitical methods, and increasingly the use of hard geopolitical measures as well. Terms such as 'expanded security' and 'terrorism' have become the buzzwords used to stake out new directions in national security policies since the end of the Cold War and, even more so, the purported turning point of September 11, 2001. These terms are taken up in discussions of new threatening scenarios that each state faces (or state alliances, or 'the West'), and contribute overall to legitimising the state's jurisdiction over the use of violence. This is reinforced by certain principles that hold positive connotations, such as human rights and democratisation. In this way, violence is legitimised 'in normative terms by projecting the assumed peace-making effect of democracies abroad... and justified in security policy terms by claiming [that the goal of this violence is to] resolve interstate wars and combat terrorist threats'.<sup>20</sup> Since 1989, the terms 'security' and 'defence' have taken on meanings far beyond what they denoted during 'superpower-imperialism'. Both the term 'expanded security', which has worked its way into the UN system as the concept of 'human security', as well as a new, broadened understanding of the term 'defence' have led to a re-orientation of national security policies and international alliances. Consider, for example, how the notion of 'security' has been redefined in military and strategic ways and used in EU or US security policies, NATO's armed forces doctrines, or the German military's defence policies to re-frame a number of potential threats, such as terrorism, resource depletion, natural catastrophes, and violent conflicts.<sup>21</sup> Here, security is increasingly less understood as defending one's territory from foreign attack, and more so as preventing or mitigating instabilities

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19. Hirsch 2005, p. 1999.

20. Chojnacki 2006, p. 52.

21. Hauswedell 2006, p. 63.

elsewhere in the world that might have consequences at home. In this context, international deployment of the military is legitimised not as ‘defence forces’ but rather as ‘intervention forces’. Critics thus accuse the policy of ‘expanded security’ as being a pre-text for further militarising foreign policy.

In fact, this concept of ‘expanded security’ has effectively brought a number of policy arenas under the rubric of ‘defence activities’ that were seen as separate before 1989. An example is conflating security and development discourses with the domain of development policy. In the 1990s, notions of ‘global governance’ were used to propagate a radicalised approach to development policy so as to transform underdeveloped, ‘failing’, or even already ‘failed’ states into liberal market-economies and thus liberate them (a ‘liberal peace’).<sup>22</sup> Insofar as underdevelopment is seen here as a danger to one’s own stability, this rhetorical strategy relies on connecting humanitarian aid to military interventions.<sup>23</sup> With this expanded notion of security, a growing number of policy concerns that used to count as ‘development’ now find themselves under military jurisdiction.<sup>24</sup> In this way, certain NGOs involved in ‘conflict management’ often propagandise a ‘neoliberal’ social model in paternalistic ways without accounting for the contradictions in that very model. ‘Their “liberal peace” thus [contains] ... within itself the germinal structures of a “liberal war”’.<sup>25</sup> In addition, critics note the highly selective use of ‘humanitarian intervention’ and how participating states exploit power politics in these interventions.<sup>26</sup>

Moreover, we can see additional rationales for justifying violence as part of the process of legitimising the war against ‘international’ or ‘Islamic’ terrorism. At the heart of these discourses is an argument that terrorist cells structured in networks and other non-state forms threaten ‘Western civilisation’. Labeling terror attacks as ‘new forms’ of ‘war’, thereby expanding the notion of war to include terrorist acts, works to justify putatively retaliatory acts of war in the minds of the attacked.<sup>27</sup> Because the US government does not currently distinguish between war and terrorism, it proclaims a ‘permanent state of emergency’ simultaneously so as to legitimise the reasons for using extra-legal means of conducting the ‘War on Terror’ and to justify new domestic constraints on democratic rights. That Europe has avoided using the term ‘war’ is not primarily an expression of a formal anti-military stance, but rather is related more closely to intra-societal attitudes

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22. Duffield 2001, p. 34.

23. Duffield 2001, pp. 37, 259.

24. In the design of the EU’s constitution, ‘civilian’ and ‘military’ foreign policy tools are linked together. Critics note the danger that ‘civil conflict management will be incorporated into military logic and be downgraded to the level of secondary or follow-up measures. The civil components should indeed be used more coherently – and yet, the reinforcement of such tools within the civil sector is not established anywhere’ (Haydt, Pflüger, and Wagner 2006, p. 89). By contrast, EU member states have obligated themselves, as the authors quote from a draft of the constitution, ‘to improve their military capabilities on a regular basis’ (cited in Haydt, Pflüger, and Wagner 2006, p. 82).

25. Geis 2006b, p. 13; compare Duffield 2001, p. 264.

26. See Chomsky 2002; Hippler 1996.

27. See Münkler 2001, pp. 587 et sq.



towards military interventions. At times, the term 'police action' is used to claim the need for intervention: 'within the normative framework of "Global Governance"', such police actions 'are meant to play out as the implementation of cosmopolitan law enforcement and thus to moderate the timidity of Western-democratic publics towards violence interventions'.<sup>28</sup> In the European context, eschewing the term 'war' thus also serves a further purpose of normalising war-like actions: 'the military is becoming more of an auxiliary police force behind a strained Global Governance. If people understandably react to war with horror, how are they meant to understand [this normalisation process] if they are constantly being frightened with the word "war"?'<sup>29</sup> Additional discourses are connected to the debate over terrorism (such as debates over 'new wars'<sup>30</sup> or 'the crisis in statehood'), suggesting that three different types of discussions have consolidated into a new 'problematic': 1) discussions about violent conflicts over political dominance ('the collapse of the state' which subsequently allows criminal and terrorist networks to lodge themselves in 'uncontrollable' spaces and thus represent a threat to the West); 2) discussions about 'organised crime'; and 3) discussions about 'Islamist terrorism'.<sup>31</sup>

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28. Geis 2006b, p. 12.

29. Eppler 2002, p. 94.

30. The term 'new war' (see Kaldor 2000; Münkler 2002) only partly captures reality. First, we can distinguish between *intrastate wars* (in which at least on state actor is involved) and *substate wars* (in which only non-state actors are involved). Out of one-hundred-sixty-six wars between 1946 and 2003, sixteen can be assigned to the latter category, while one-quarter of all wars since 1990s have been substate ones. In the decades after 1816, intrastate wars predominated consistently over *interstate wars* with the exception of the 1930s (Chojnacki 2006, p. 49). However, their number in comparison to interstate wars has increased substantially in the second half of the twentieth century. These should be distinguished as well from *extra-state wars* (wars between state and non-state actors beyond existing state borders) (Chojnacki 2006, p. 56). Additionally, in the case of substate wars, it is important to note they often involve nation-state building – 'ultimately it is impossible to find a warring party whose objectives are anti-statist' (Schlichte 2006, p. 126). In order to understand current developments in the occurrence of war, we must also analyse the broader international context, such as the end of Soviet power politics in the 'South' after 1989. For many current 'warlords', who often emerged in the resistance against colonial régimes and were supported by one of the two superpowers, no such help was forthcoming after 1990. The international economic tendency towards stagnation since the 1970s led to even greater instability in many of the poorest countries. Since then, as Dorothea Schmidt argues, important features of these so-called corrupt régimes have included, 'given the lack of or an insufficient tax base, the need to finance their own activities through such things as trading drugs, arms and precious stones, by extorting protection money, through theft and plunder, or through remittances from the diaspora' (Schmidt 2002, p. 280).

31. Schlichte 2006, p. 121. Related to this are newfangled claims of *barbarisation*: this claim 'comes across to a certain extent as very old. Any regional studies scholar will quickly recognise the significant continuities in it. It ranges from the image of barbarians that an expanding Europe had fashioned to describe the populations in its colonial possessions, to the notions still current in journalism about "tribal wars" and hordes resorting to violence at every opportunity. ... [T]hese conceptions of the Orient and the Balkans are deeply entrenched in Western general consciousness. In the current discourse in Western societies about "Islam", we can see analogical dichotomisations' (Schlichte 2006, p. 122). For discussion on the demonisation of Islam and on the construction of an 'Other', see Alnasser 2004c; Calgar 1997; Ruf 2006; Weyland 2006.

The manner of speaking of 'new wars' and how they are entangled with other phenomena such as the collapse of a state and terrorism threaten to become part of an 'explanation of fear' . . . The prophesied collapse of the state has already become a core theme in the security doctrines of both the US and the EU. The semantics of 'exceptionalism' to explain and frame war has already begun to erode international law . . . Clearly, this terminology of 'new wars' reveals more about the competition over different conceptions of order, about security needs, and about ambitions for control than it does about the reality of and reasons for political violence in international society.<sup>32</sup>

Military interventions, the valorisation of national security strategies and the discourses of legitimisation described above can all be read as signs of the militarisation of foreign policy. Another simultaneous development might further facilitate the use of hard geopolitics: *the erosion of democratic standards*. Maria Gritsch argues that, as a result of the transformation of statehood in the last 20 years, the governing bodies of the G7-states have acquired more agency because ever more decision-making power has been delegated to executive apparatuses at the national level, and partly at the inter- or supra-national level (for example, to EU bureaucrats). Moreover, she argues that individual states have increasingly withdrawn from the decision-making process as a result of having 'trimmed down' (especially with respect to social security systems and public property) and created public-private forms of governance. 'Advanced capitalist states' construction and use of global governance institutions, including the W.T.O., further shifts political-economic decision-making away from domestic citizenries and increases executive power. Lastly, by devolving domestic fiscal decisions to lower government levels or private actors, or diminishing absolute levels, states acquire autonomy through decreased accountability, reduced public participation, and a further narrowing of their agenda'.<sup>33</sup> It is less the decision-making authority of individual states as such, and more the liberal-democratic mechanisms in them that are being eroded. As such, it is possible to conceive of Western states taking a post-democratic, authoritarian turn, especially if those institutionalised mechanisms are less effective for resolving internal social contradictions than they were during the long economic expansion after 1945.

More than a few scholars anticipate specific repercussions of this for foreign policy.

The structural political crisis related to the transformation of the competitive state and the crisis of representation can set certain dynamics in motion that in turn fuel inter-state rivalries. This occurs not least because of attempts to compensate for the representation crisis with populist, nationalist, and racist legitimisation strategies. One example,

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32. Schlichte 2006, p. 127.

33. Gritsch 2005, p. 3.

albeit fairly harmless, is the conflict between Germany and France and the United States over the Iraq War.<sup>34</sup>

After 2002 in Germany, the red-green coalition government intentionally exaggerated existing foreign policy conflicts in order to compensate for the deficit in legitimacy resulting from their economic, labour, and social policies. In his analysis of 'social imperialism', Wehler has already noted that efforts are often made to create domestic political consensus in reference to the 'foreign'.<sup>35</sup> In a similar way, new security discourses since the Cold War have led to the expansion of the security state. The 'War Against Terror', which appeared at first as a measure of a unified 'West' but which has sharpened since 2002 and led to antagonisms within the 'West', can thus be understood as an attempt to craft a 'foreign' threat in order to divert attention away from domestic problems, or at least to use increased national prestige in order to compensate for domestic political deficits. In this sense, 9/11 also facilitated the accumulation of state power and provided 'opportunities' for each respective national society to impose a new order of control.

## 1. 'Democratic wars'

Several developments over the last 15 years have counteracted some essential assumptions behind the theory of 'democratic peace' in the tradition of Kant.<sup>36</sup> The notion of peace-loving democratic societies, which claims that democratically elected governments are more sensitive to the costs of military actions and thus depend more on the 'political consensus' of the electorate, has increasingly been called into question. It should not be assumed that democratically elected élites in capitalist societies are '*per se* more averse to violence than authoritarian rulers... They do, however, have to weigh their decisions more carefully and justify them to the public'.<sup>37</sup> In this way, discourses of legitimacy become even more significant – namely, in socially constructing the antagonism, in appealing to the need for defensive action, in veiling the geopolitical and economic ambitions, and in demonising or barbarising the enemy.

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34. Hirsch 2004, p. 685.

35. Wehler 1970, p. 85; compare Wehler 1984, pp. 454–502.

36. Compare Czempel 1998. 'Given the relative increase since 1990 in democracies using violence, this theory has come under sharper criticism, if not also under suspicion of being purely ideological – ultimately, a popularised version of the theory of peace-loving democracies has found its way into foreign policy speeches of Western politicians' (Geis 2006b, p. 26; compare Lock 2003). Harald Müller addresses the issues of liberal theory as the foundation of the theory of democratic peace even more thoroughly: 'liberal theory contains within it, consistently and logically, the roots of a specific form of democratic militancy' (Müller 2006, p. 41).

37. Chojnacki 2004, p. 89.

In the discipline of IR over the last few years, the ambivalences and ‘antinomies’ in the theory of democratic peace have been debated more sharply.<sup>38</sup> In his critical engagement with the phrases ‘the triangle of peace’ and ‘democratic peace’, Lothar Brock identifies the potential for *democratic war*. He raises problematic issues with each corner of the triangle of peace – democracy, interdependence, and international organisations – that in the past have been identified almost exclusively as a self-sustaining constellation of ‘civilising’ powers within international politics.<sup>39</sup> By contrast, as Brock argues, all three variables are able to generate conflicts and support the use of violence. *First*, economic interconnections are formed in the context of sharp disparities of power and development.

Unequal development on a world scale is ... important background for explaining why hopes for a global peace dividend faded so quickly after the peaceful end of the East-West conflict. And although the belligerent antagonisms of today sometimes appear archaic in terms of the forms of violence they contain, they are completely integrated into the world market. Seen in this light, the world market functions as a violence market ... through which countless wars and conflicts are financed.<sup>40</sup>

Interdependence and uneven development are connected; the dynamics of uneven development are reflected in interdependent relations. This has contradictory consequences for how willing one is either to cooperate or to use violence: on the one hand, there are pressures to cooperate in the sense of ‘interdependence management’, but, on the other, uneven development goes hand in hand with ‘political risks that, since the 1990s, have been reflected in “securitising” economic and social issues broadly, and in re-orienting military policy away from defending one’s territory towards using the military to secure world order’.<sup>41</sup>

*Second*, this issue of uneven development is reflected in the domain of international organisations insofar as they are ‘underinstitutionalised’. As components of ‘an international hierarchy of power – above all, in the form of world economic organisations – [these organisations continue to] contribute to the reproduction of uneven development’.<sup>42</sup> Further, this underinstitutionalised international order leads to ‘constraint[s] on democratic self-determination’: ‘this unintentional consequence of international organisations and juridification can be used by governments strategically to deflect the participatory ambitions of society, so long as the autonomy it loses through international coordination is less than the autonomy it gains over society ... Precisely for the most advanced inter-

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38. See the essays in Schweitzer, Aust, and Schlotter 2004; compare Geis 2006a.

39. Brock 2006, p. 203.

40. Brock 2006, p. 214.

41. Brock 2006, p. 216.

42. *Ibid.*

national organisation, namely the EU, the issue here is not only a democratic deficit at the *international* level, but also a de-democratising effect at the national level as well'.<sup>43</sup>

Related to this, *third*, is a lack of distinct democratic structures. When considered at an international level, it is true that liberal-democratic institutions have expanded in formal terms since 1990. However, there has not been a *deepening* of such. This contradicts one of the central premises of the theory of democratic peace, namely that a comprehensive democratisation would lead to peace.<sup>44</sup>

In summary, the theory of democratic peace underestimates the extent to which Western liberal-democratic states are 'capitalist' states and related to each other in an international system with enormous destabilising potential. Liberal democracies can make use of violence and undemocratic means – in principle, this is conceivable among developed capitalist democracies as well, even if at the present time it is unlikely. Based on the specific international constellation that has developed since 1989, intra-societal power relations, close economic interconnections (in particular transatlantic relations), and the foreseeable destruction that a war between highly-industrialised countries would cause, it is hard to imagine that direct military confrontations between developed capitalist democracies will again become a reality in the future. Such an outbreak of violent confrontations would likely be connected to considerable socio-economic crises and restructurings of power relations, changes to the constellations of international political alliances, and the radicalisation of domestic politics.

## 2. Excursus: international law within fragmented capitalism

The tendencies of the 'political' to internationalise within a fragmented world economy, the market-liberal state system, and other inter-societal relations all find expression to a certain extent in 'international law'.

As such, we can take as a starting point two distinct legal principles – *the rule of law* within individual states and juridical *sovereignty* between individual states –, even if we can also identify variations of each at the international level.<sup>45</sup> The development of modern international law is typically associated with the era predating the emergence of the capitalist world market (namely, the Treaty of Westphalia in 1648). This claim is questionable, however, since a number of qualitative modifications occurred in the transition to capitalist forms of intercourse and in the triumph over precapitalist 'dynastic

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43. Brock 2006, pp. 218–19.

44. See Czempel 1996.

45. 'While the rule of law demands that domestic law be respected, state sovereignty creates a rationale to flout international law indiscriminately. Thus, if a meaningful rule of law were to develop internationally, this would imply a fundamental transformation of modern sovereignty as well' (Zangl 2006, p. 123). In the following discussion, I start from the position that 'sovereign' states simultaneously co-exist in a *hierarchical* constellation that in turn can constrain sovereignty (see Hobson and Sharman 2005).

sovereignty'.<sup>46</sup> Modern international law provides an important way to regulate and thus secure interactions with markets that were only loosely connected earlier but have since expanded to form a world market. Above all, it is important for states to join together in a community of international law 'in order to tie their differences – which at times play out non-violently through international laws of peace, at other times violently through international laws of war – and their forms of cooperation to those rules that [represent and maintain] the (relative) unity of the entire system'.<sup>47</sup> Therefore, an analysis of international relations must include an analysis of international law and the power constellations embedded therein.<sup>48</sup>

On the international level, contemporary integration and cooperation are carried out in the form of rights-based agreements. Legal subjects (that is, states) typically use 'norms' to form voluntary bonds. These bonds are realised as treaties, conventions, or normative expressions of intentions within the international political institutions I have described above. To a certain extent, this constrains the use of explicit coercion within international politics. Similar to the legal forms within individual states, international relations are meant to contain binding stipulations.<sup>49</sup> Political action is supposed to be rationalised, rule-governed, and thus predictable. Without this 'self-commitment of states', the orderly progression of international relations would be permanently endangered.

Nevertheless, pressures to cooperate based on socio-economic interdependencies constitute only one side of international relations, as Wolfgang Abendroth has noted with his emphasis on the market and market competition.<sup>50</sup> These features of capitalism have an impact on international law as well. Examples of this include the ways in which both juridical tools and greater capacities for mass annihilation were refined and codified during the Cold War. As a result of recent internationalisation processes, a contradictory tendency towards the *trans*-nationalisation of law has developed. Consequently, some international legal forms are no longer tied so strongly to the state or to the inter-governmental system.<sup>51</sup> In fact, a number of recent developments make it possible to conceive of a theory of 'international law without the state'. For example, private legal

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46. Miéville 2005, pp. 156–78; Gerstenberger 2006, p. 518.

47. Abendroth 1973, p. 16.

48. International law is primarily law between 'many' (relatively) sovereign states: 'States, not classes or other social forces, are the fundamental contending agents of international law, and while their claims and counterclaims are informed by their own domestic class struggles, they do not "represent" classes in any direct way. It is generally the opposing ruling classes of different states that clash with the legal form, each with their own class agenda. These internecine battles between the "warring brothers" of the ruling class make up a great swathe of the international legal structure, and in them there is little purchase for a fundamentally progressive, subversive or radical legal position... This is not to foreclose any possibility of "progressive" international legal moments or decisions' (Miéville 2005, p. 317).

49. Brock and Hessler 2005, p. 58.

50. Abendroth 1973, p. 17.

51. See Teubner 1996.

practices ('*Lex mercatoria*') have long complemented public legal systems at the level of international economic relations.<sup>52</sup> Nowadays, corporations and NGOs not only take part in legal disputes, but also in setting new normative standards. In this way, norms implemented at a global level can develop their own dynamic once they are detached from their origins in intergovernmental interests.

However, we still need to distinguish between aspirations and reality. It is not possible to talk of a unified, universal legal order or a comprehensive 'international legal statehood'. Rather, it is much more the case that various legal traditions continue to co-exist.<sup>53</sup> It is true that *legal development* or *lawmaking* has been partially de-coupled from individual states, for example in the European Court of Justice,<sup>54</sup> International Criminal Court, or in the legal procedures in the WTO. This process reflects certain characteristics of inter- or transnational legal statehood, although they are more fully developed and expressed in the areas of environmental and trade laws than in security.<sup>55</sup> However, the *implementation* of such international law, especially in the case of conflict, remains closely tied to the monopoly on violence that individual states continue to possess. In other words, while *law making* is no longer reserved for states, *law enforcement* continues to rely on the state's monopoly on violence. In this way, strong states can avoid the consequences of international legal rulings more than weak states can – insofar as they subordinate themselves to such in the first place, as the case of the US's posture towards the International Criminal Court indicates.<sup>56</sup> When emergencies arise, it continues to be the case that whether or not international laws and norms are enforced relies on the potential threat of violence by individual states.<sup>57</sup>

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52. Brock and Hessler 2005, p. 70.

53. Brock and Hessler 2005, p. 68.

54. Sonja Buckel suggests that the European Court of Justice has transnationalised (or Europeanised) the most thoroughly by comparison to other international legal institutions. The issue of lacking a monopoly on violence has been 'de facto suspended' (Buckel 2003, p. 62).

55. Zangl 2006, p. 146. Still, Zangl must concede that the 'use of conflict resolution proceedings has progressed further than has acceptance of them. Both in the WTO and in the UN Security Council, aggrieved states are less likely to abide by the legal rulings against them than the grieving states are to convene conflict resolution proceedings in the first place. In the long run, this imbalance endangers the entire project of international legal statehood' (ibid.).

56. Hirsch 2005, p. 159.

57. Because international law is an important framework for contemporary world politics, many people project significant political hopes onto it. Nevertheless, the hope for strengthened international laws regarding human rights and democracy is usually premature. Especially those scholars oriented on liberal, cosmopolitan perspectives have conceived of a cosmopolitan legal order based on international power relations. However, reference to the increasing significance of international political institutions and legal rulings says little about their content and the actual power relations within these institutions. For the most part, new régimes and institutions that are expected to create 'cosmopolitan democracy' (Held 2002) are tied to the internationalisation of capitalist power interests. Thus, it is possible to reconcile liberal-cosmopolitan thinkers (such as Beck 2004; Shaw 2002) and their emphasis on the need for international law with the discourses of 'neoliberal globalisation'. According to Gowan, for example, the rhetoric of human rights and



The European Union has shown the most extensive legal transnationalisation thus far. Its high degree of economic integration, relative homogeneity of individual state structures, and significant interest identities (for example, regarding trade) have all played an important role in producing the sort of legal codification of formally distinct areas reminiscent of the authority of domestic law. Nevertheless, this 'regional legal system' does not yet indicate that a 'global legal system' is on its way.<sup>58</sup>

Analysing the internationalisation of law means describing a world whose development proceeds in contradictory ways between two poles – at the one end, the emergence of an internationalising legal system with transgovernmental elements to it; and at the other, the continued existence of a political and economic order that takes an inter-state form – and whose (im-)balance results from the differing degrees of strength that states or state alliances possess. It is fairly unlikely that this contradiction will be overcome in the future by further inter- or transnationalisation, primarily because it is not possible to gain a stable global monopoly on power. 'Even within the OECD world, establishing an international legal sovereignty that corresponds to an intra-national one seems highly unlikely. The sort of international legal sovereignty that we are starting to see remains now, as before, limited to specific domains, and has not even hinted that it is able to support the integrated structures needed for [a full] international legal sovereignty'.<sup>59</sup> As Miéville summarises, international law always expresses the continuing relations of power and violence: 'Law is a relation between subjects abstracted of social context, facing each other in a relationship predicated on private property, dependent on coercion. Inter-nationally, law's "violence of abstraction" is the violence of war'.<sup>60</sup> He argues that international 'legal forms' set up legal equality in the context of really existing, uneven power relations. International law and imperialist politics are thus two sides of the same coin:

The international legal form assumes juridical equality and unequal violence of sovereign states. In the context of modern international capitalism, that unequal violence *is imperialism itself*. The necessity of this unequal violence derives precisely from the juridical equality: one of the legal subjects makes law out of the legal relation by means of their coercive power – their imperialist domination. Specifically in its universalised form, predicated a juridical equality and self-determination, *international law assumes imperialism*. At the most abstract level, without violence there could be no legal form. In the concrete conjuncture of modern international capitalism, this means that without imperialism there could be no international law.<sup>61</sup>

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liberal cosmopolitanism was used to legitimise the NATO war against Serbia in 1999 (Gowan et al. 2001, pp. 9–10). Thus, conceptions of cosmopolitan rights within an 'international civil society' are politically ambivalent.

58. Paech 2003, p. 25.

59. Zangl 2006, p. 148.

60. Miéville 2005, p. 318.

61. Miéville 2005, p. 293.



It is doubtful that the development of a 'global' régime of security and control – in today's terms, for example, justified by the 'clash of civilisations' or the 'War on Terror' – will contain a new 'global-imperial' quality.<sup>62</sup> It is not the first time in history that 'warring brothers', in Marx's words, have proposed *common* rationales for international politics and tried to act in at least partial agreement – as the examples of the anti-communist hype of the 1950s or the racist Western campaign against the Chinese Boxer Rebellion at the beginning of the twentieth century (as a rationale for a state alliance to beat back the resistance) demonstrate.<sup>63</sup>

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62. See Hardt and Negri 2001.

63. See Luxemburg 1951.



## Chapter Eight

# Geopolitical and Economic Competitive Relations

In this section, I briefly describe the complicated nexus of cooperation, competition, and conflict between the most powerful industrial societies. US-China relations are especially prominent in this regard, and I examine them in the closing chapter.

### 1. The aspirations and realities of US empire

International relations after 1989 have been dominated by the United States. Nevertheless, the US government has not been able to consolidate the hegemonic leadership they almost reached in the 1990s. By contrast, an erosion in US predominance is looming that can sharpen geopolitical conflicts between once close allies. However, claims that US hegemony is already in a free-fall appear to be premature.<sup>1</sup> For the foreseeable future, the US state will be able to take advantage of being a unified economy with enormous capacities that actually grew during the 1990s (even if not on the scale reached by its economic predominance after 1945). Moreover, the US will continue to benefit from its enormous military superiority in relation to other industrialised states, and thus will continue to be a comprehensive centre of activity and a 'monopoly on violence', no matter how precarious. Finally, the US, as well as other states and other internationally operating individual capitals, will try to make use of this monopoly on violence for their own reproduction.

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1. See Wallerstein 2003; Arrighi 2005a; and 2005b.

Analysing US power can thus help to specify and clarify 'Empire discourse'. It is important to understand that US power élites formulate their goal of an overarching 'empire' based on its historically unique power capacities; that is, they are not merely engaging in ideological wishful thinking or making exaggerated claims about 'American exceptionalism'.<sup>2</sup> For decades now, as Bacevich explains, US foreign policy has strategically aimed to create a global market that the US state can regulate.<sup>3</sup> A number of benefits result from this dominant position, such as 'hegemonic rents' (in part due to having the leading currency) that can exceed the costs (such as defence expenditures) associated with creating this world order in the first place.<sup>4</sup>

In fact, the United States controls international space in ways that no other actor can. To a certain degree, its world order politics function as a *service provider* for corporations and for sections of power élites from other industrialised states interested in having access to stable profit-making opportunities and supply chains. The sort of culturalist conception that exists in one form or the other in 'Western' states of a unity of the 'civilised' world (and the 'barbaric world' as its counterpart) is probably one normative indication of this.<sup>5</sup>

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2. Rilling 2004. Already in the 1920s, US President Wilson knew enough to frame the status of an 'informal empire' in terms of universal rights discourses (see Panitch and Gindin 2004a, p. 38). 'In practice, Wilson's ideological concept disguised a distinct power-politics and balance-of-power politics, and not just with respect to Wilhelmine Germany or later against Soviet Russia, but rather to the previous world power, namely Great Britain, as well' (Link 1996, p. 266).

3. Bacevich 2002, p. 3; compare pp. 79–116, 215 et sq. In the current period, this aspiration appears to correspond to the mass of profits that US corporations realise abroad: 'Taking the year 2000 as a reference, the comparative size of USDIA profits [profits that US corporations or their subsidiaries made abroad] appears striking. USDIA profits represented 53 percent of domestic profits. This shows the dramatic importance of this category of this internationally generated income for corporate profits in the United States' (Duménil and Lévy 2004b, p. 662).

4. Massarat 2004, pp. 22 et sq. As Neil Smith describes, US global strategies in the twentieth century have always pursued global-imperial goals (even and especially under Wilson, Roosevelt, and Clinton). He thus conceives of US liberalism as a nationally oriented 'internationalism', which has never simply been an idealistic approach to politics, as conservative forces maintain, but rather has sought to impose 'geographies of practical liberalism' in the realist sense (Smith 2005, pp. 44–52; compare McCarthy 2007).

5. See Nye 2002, and Fukuyama 2006. It is not possible at this point to go into further detail about the internal intellectual and political power shifts among power élites in the United States (see, for example, Glassman's approach, which discusses the continuities and transformation of US foreign policy from a neo-Gramscian perspective: Glassman 2005). An ideological shift took place in the 1990s at the highest leadership level of US politics. In the last years of the Clinton administration, as with the subsequent Bush administration, the US acted more sharply in accordance with *geopolitical* strategies for which geo-economic predominance functioned as a pre-requisite for a geopolitical (power-)base (Gowan 2000, pp. 2–78; compare Hirst and Thompson 2002, pp. 118–9). The rise of neoconservatism connected a critique of liberal-internationalist readings of modernism to an attempt to *re-moralise* foreign policy (Williams 2005, p. 321; compare Callinicos 2003; Henning 2006, pp. 61–82; McCarthy 2007). Previously, the field of IR lacked a thorough engagement with the theoretical foundations of neoconservatism. It might be too soon to simply categorise it as a sub-current of neorealism insofar as it explicitly orients itself *against* neorealism's 'scientific rationalism'.

However, this is still only part of the entire picture. The US's ability to *implement* its normative goals is only partially successful – in 'old' Europe less so than in the 'new', in Japan better than in China, in India better than in Russia, in Latin America less so than in Southeast Asia, in the Middle East less so than in Central Asia. Its attempt to form an empire that encompasses the entire globe, which goes hand-in-hand with hegemonic control, the regulation of other 'vassal states', and the strategy of open markets, all this faces resistance at times. The desire for a 'US empire' is often challenged by the reality of 'imperialism', that is, the geopolitical power rivalries within the state system and the instability of the world economy. This applies to the narrow 'transatlantic partnership' as well, albeit in a weaker form: the empire-oriented programme of the United States in effect defines the aspirations of the 'Allies' (such as the obvious primacy of NATO and its expansion with respect to the European security organisation, the development of a European defence policy in a NATO context, the harmonisation of how threats are perceived); and yet, these aspirations are not automatically realised. In the 1990s, for example, the dependability of the transatlantic alliance was anything but guaranteed. Instead, it was a hard-won political accomplishment requiring extra effort from the US, as exemplified by US engagement in the Balkan Wars, the eastward expansion of NATO, US influence over the eastward expansion of the EU or, earlier, in the establishment of a market-liberal 'Washington Consensus' and the Anglo-American model of the free-market economy. Indeed, proponents of the theory of 'US superimperialism' underestimate this situation. The 'triad centres' remain caught up in

constant conflict over control of markets, investment regions, and sources of raw materials. On the one hand, wars of intervention such as those in the Balkans, Afghanistan or Iraq benefit the interests of the capitalist metropolises by maintaining the economic, military, and political world order that they have crafted. On the other, [these wars] are also a means of conflict among them for access to deposits of raw materials, markets, and investment regions.<sup>6</sup>

A useful example of the difference between the imperial aspirations of US world order politics and their actual implementation is the battle to control the world's oil resources. On the one hand, as a global, hegemonic guarantor of order, the US expects to regulate demands for oil in ways that consider others' interests:

[T]he United States has used its military power to fashion a geopolitical order that provides the political underpinning for its preferred model of the world economy: that is, an increasingly open liberal international order. US policy has aimed at creating a general, open international oil industry, in which markets, dominated by large multinational firms, allocate capital and commodities. The power of the US state is deployed, not just to protect the particular interests of the United States consumption needs and US

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6. Hirsch 2005, p. 165.

firms, but rather to create the general preconditions for a world oil market, confident in the expectation that, as the leading economy, it will be able to attain all its needs through trade.<sup>7</sup>

However, this goal of creating a US-dominated global oil-market does not align with the strategic preferences of other actors and at times collides with them. Middle Eastern space is an illustrative example of the ‘multi-actor’ approach used in throughout this book. In this particular world region, multiple, relatively influential local states are integrated with other inter-societal actors in a space of high geopolitical significance – indeed, since the end of the nineteenth century, the great powers have attempted to influence and thereby modify the region’s power relations. Moreover, local states, as sub-imperial powers, use their own foreign policy to control spaces: since the 1970s, some OPEC states have acquired greater relevance due to the growing international dependency on oil reserves, which has placed them in a fairly powerful position.<sup>8</sup> Moreover, various political movements have deeply shaped the region: up to the 1970s, they were typically nationalist in orientation, but since then, politicised religio-nationalist movements have had a greater influence on the region’s politics. Conflicts often occur between states – or better, the societal relations these states represent – that are rarely resolved in ways that benefit all parties involved. Moreover, indirect geopolitical conflicts among the largest states in the world play out in this region at the same time: European and East Asian powers, for example, are considerably more dependent on the oil and gas reserves in the Middle East than the United States is, since the latter has diversified its oil imports more broadly over the last decades. Because the various administrations of the US government are aware of the *strategic importance* of oil as a commodity, their concerns over the Middle East are not primarily for the interests of their own oil companies (and related industry branches). Rather, as the dominant power, they would like to be able to determine the conditions and rules that govern the acquisition of energy resources – even when actions such as the Iraq War of 2003 waste vast amounts of money and do not ‘pay off’ economically. Supremacy in this arena, so goes the assumption, supports dominance in other domains as well, such as the control associated with having the world’s leading currency.<sup>9</sup>

The ingenious foreign policy strategies of the US (‘democratisation of the Middle East’) more or less represent de facto *crisis management* and not hegemonic or imperial

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7. Bromley 2005, p. 254.

8. In the 1970s, nationalising the oil industry had the effect of shifting power in favour of oil-exporting states (Bromley 2005, p. 232). The largest oil companies currently have less influence than is often assumed: they hold ‘proven reserves of a mere 4.2 per cent of the world total. Nine out of the top ten of the world’s oil companies ranked by reserves are national oil companies. This is the enduring legacy of the OPEC revolution in ownership of reserves and of the fact that most reserves are held by OPEC. For the United States, and its oil companies, reversing this trend would be a first-class objective’ (Bromley 2005, p. 252).

9. See Altvater 2005, pp. 163 et sq.

leadership.<sup>10</sup> Importantly, this relates to intra-societal relations in the region's states themselves. For example, the current friendly relations the US enjoys with power élites in Saudi Arabia do not guarantee that internal Saudi political power relations might change to Washington's disadvantage. Moreover, in the last few years, awareness of changed *inter*-societal power relations has played a role in US geopolitics: 'War after 2003, therefore, was bigger than oil, much as that was a central calculation. Rather, a Middle East coalition of interests linking Iraq, Saudi Arabia and Islamist movements would have provided a significant threat to the vision of US-centered globalism that harked back to Wilson, received a booster shot with Roosevelt, and was again in sight with the advent of globalisation and victory in the cold war in the 1980s'.<sup>11</sup>

These issues clearly indicate that the US is neither a hegemonic leading power nor an empire, but rather the dominant actor within world politics: 'Empires set the rules. They do not need to assert awkward, implausible and almost universally rejected exceptions for themselves. A state that cannot obtain widespread endorsement of its preferred international norms is not an empire. A state that can't even get grudging acquiescence by its leading "allies" is not even much of a hegemon'.<sup>12</sup>

By systematically exiting from international treaties (such as the Comprehensive Nuclear Test Ban Treaty, the Biological and Toxin Weapons Convention, the Anti-Ballistic Missile Treaty, or ratification of the International Criminal Court), the US indeed gains greater freedom of choice, however at the same time it loses the ability to lead its allies by consensus.<sup>13</sup> It thus also seems that the United States government wants to use their military actions to intimidate their coalition partners.<sup>14</sup> This risky attempt to use military capacities to secure one's dominance or even to expand it has not necessarily brought about the desired results. US neoconservative hegemonism has

already resulted in 'soft balancing', where countries like Germany and France have tried to block American initiatives or refused cooperation when asked for it. Similarly, Asian countries have been busy building regional multilateral organizations because Washington has been perceived as not particularly interested in their needs. Hugo Chavez in Venezuela has been using oil revenues to detach countries in the Andes and Caribbean from the American orbit, while Russia and China are collaborating to slowly push the United States out of Central Asia.<sup>15</sup>

By comparison to the mid-1990s, the US has moved further away from its goal of hegemonic leadership rather than closer to it, irrespective of how much its ability to lead varies from one political arena to the other. In economic terms, the United States (in 2007) was

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10. See Asmus and Pollack 2002.

11. Smith 2005, p. 190.

12. Donnelly 2006, p. 160.

13. Cox 2005, p. 208.

14. Bacevich 2002, pp. 141 et sq., and 220 et sq.

15. Fukuyama 2006, p. 190.

in a better position to function hegemonically than it was in geopolitical or ideological/normative terms (although one must still distinguish here between individual economic sectors, such as finance and trade).

In this context, it makes sense why sections of US power élites openly discuss using their global strategies not only to *integrate* but also to *contain* potential competitors.<sup>16</sup> In the 1990s, for example, Russia and China in particular were seen as potential competitors for the role of leading power or as ‘counter-balancing’ powers: ‘It so happens that the two traditional wings of American “national security”, the Atlantic and the Pacific, have Russia at one extremity and China at the other. Towards one and the other the United States deploys both deterrence and persuasion, Theodore Roosevelt’s “big stick” along with William Taft’s “dollar diplomacy”, embellishing the combination with a few tasteful Wilsonian grace-notes’.<sup>17</sup>

The competition among the US, China, and Russia over influence and spheres of influence along the ‘Eurasian Continental Rim’ at times has become fierce.<sup>18</sup> Since the dissolution of the Soviet Union, this region of states stretching from Eastern Europe across the Caucasus and into Central Asia has found itself in a process of geopolitical restructuring. Until 1991, fourteen of the current states were in fact Soviet republics.

The disintegration late in 1991 of the world’s territorially largest state created a ‘black hole’ in the very centre of Eurasia. It was as if the geopoliticians’ ‘heartland’ had been suddenly yanked from the global map. For America, this new and perplexing geopolitical situation poses as a crucial challenge.<sup>19</sup>

As a long-term task, Brzezinski discusses the problem of ‘avoiding the re-emergence of a Eurasian empire’.<sup>20</sup> In fact, this new situation in the heart of ‘Eurasia’ has played an important role since the early 1990s in the foreign-policy strategies of not only the US, but also Russia, China, and European states.<sup>21</sup>

## 2. The EU and the US: a conflict-laden partnership

Over the course of the historical phase of the ‘New World Order’ after 1989, transatlantic relations have been transformed. Germany and France, as macro-regional leading states, and the European Union they lead have vacillated between subordinating themselves to US protection and forming independent institutions at the European level so

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16. See Mearsheimer 2003; Layne 2006, pp. 134–58. For discussion from the perspective of the Democratic Party, see Brzezinski 2007.

17. Achcar 2000a, p. 114; compare Mearsheimer 2003, p. 400.

18. Cohen 2003, p. 13.

19. Brzezinski 1997, p. 87.

20. Ibid.

21. See Achcar 2000a; and 2000b; Cohen 2003; Rashid 2002, pp. 232–55; van der Pijl 2006, pp. 347–58.



as to further their own international ambitions. The possibility therefore exists that the asymmetrical system of interdependence that developed after 1945 and bound German and (to a lesser extent) French strategic projects to those of the US might mutate into conflict-rich relations.

During the Cold War, strong European states profited from US hegemony, and there were never any serious crises threatening the existence of the 'transatlantic community'.<sup>22</sup> Friendly relations grew even more so over this period of time. Thus, there was a particular intra-Western structure to the Cold War: the relative containment of Western state conflicts under the umbrella of a much larger East-West confrontation. An important part of the material basis for this compromise was the long economic expansion after 1945, which did not end with the same severe crises as occurred in the 1930s. This allowed for intra-Western competitive relations once again to adjust institutionally rather than fall directly into crisis and conflict.

Since 1989, a new framework for transatlantic relations has developed.<sup>23</sup> The debate over potential intra-Western conflicts has come back to life. In particular, a reunified Germany has been seen as a potential pole to counter-balance US policies.<sup>24</sup> In fact, the German state has preferred to further its foreign policy ambitions within the framework of 'European integration' more thoroughly than in the past. As Peter Gowan argues, there were three strategic options available to major European powers in the 1990s: *first*, the formation of a pan-European economic and security zone with the goal of closely integrating Russia while also contributing to a decline in US influence in the region. This option, advocated by the Soviet Union after 1986 and later by Russia, was seriously considered between 1989 and 1991. A *second* option consisted of focusing on the political integration of central and western Europe, which also would have been able to challenge the US's position in Europe. *Third*, the continued subordination of Europe as part of new strategic efforts to maintain US hegemony seemed a relevant option. From this perspective, forming a European economic and currency union was seen as a power nexus that was both approved by the US and complementary to its hegemonic predominance.<sup>25</sup> In practice,

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22. Nevertheless, tensions did emerge within the Western alliance, for example over North Africa (the Algerian War starting in 1954 or the Suez Crisis in 1956), or in France's efforts to develop a stronger 'French-German partnership' in the 1950s. Later, conflicts over economic policy dominated, such as those over US currency policy. In the late 1970s, fears developed in the US that significant fractions of German capital would re-orient themselves on Eastern Europe. The US responded with counter-measures: 'by deploying Pershing missiles in Germany, the US was able to break the Soviet-German détente and pull Germany firmly back under its political leadership in the early 1980s' (Gowan 2000, p. 15). In the 1980s, by contrast, Western Europeans began to take delivery of Russian natural gas despite US pressure.

23. Cox 2005, p. 210.

24. In its own way, Germany's unilateral recognition of Croatia's and Slovenia's independence in December 1991 supported the conflicts related to Yugoslavia's collapse (van der Pijl 2006, pp. 270–1).

25. Gowan 2000, pp. 34 et sq.

the politics of EU countries continued to vacillate between the latter two options.<sup>26</sup> Not until 2003 was it again possible to conceive of a 'Paris-Berlin-Moscow' axis. Indeed, that same year marked the sharpest crisis to date within the transatlantic community.

In order to understand the depths of this antagonism, we can build on studies within the field of IR that have explored the competitive relations and conflicts within transatlantic relations on four levels: *interests*, *interdependence*, *institutions*, and *identities*. By including these variables in the analysis, constructivist approaches have identified a crisis in transatlantic relations. Still, this crisis (in the mid 2000s) has developed to different degrees depending on which level we are talking about:

When it comes to political interests and to threat perceptions... the transatlantic relationship is in crisis. Regarding economic interdependence, there is no crisis, but the economic ties are weaker than conventional wisdom assumes and, more important, is unlikely to save the political relationship when the latter is not in good shape. A mixed picture emerges with regard to the institutional framework of the transatlantic community. While NATO as a political institution is in crisis, other parts of the institutional settings remain largely intact including NATO's military integration... Last not least, while there is no immediate breakdown in the sense of community, the collective identities and values beneath the transatlantic community are shakier than is often assumed... In sum, the crisis scorecard does not sustain an alarmist picture according to which the transatlantic community is beyond repair... The emerging overall picture is one of a crisis underneath the surface that is somehow lingering on. There seems to be a latent crisis of the transatlantic community which might escalate into a full-blown and manifest crisis by any further trigger event which could shake up the Atlantic order beyond repair.<sup>27</sup>

Recall that it was still the case a few years earlier that the same constructivist approaches assumed that the 'transatlantic security community' would deepen its roots.<sup>28</sup>

Cox suggests to start from a new position, one that can no longer be described adequately by the old concept of a fixed 'security community' or complementary terms like that of the 'West'. His empirical studies have led to the following opinion:

[T]here is mounting evidence to show that an increasingly large number of policy-makers (and publics) on both sides of the Atlantic are no longer thinking in terms of a collective 'we'... once you have got over the niceties, most policy-makers simply do not see their peers across the Atlantic in especially communitarian terms. Quite the reverse. The refrain I heard in both Washington and Brussels was remarkably similar. 'Yes we

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26. In this regard, Germany has taken an intermediary position between France, whose state leadership more often than not considers its own geopolitical preferences to be in conflict with those of the US, and Japan, whose political leadership continues to orient more sharply on the security umbrella provided by the US than do major European powers (Gießmann 2006, p. 37).

27. Risse 2008, p. 18; compare Heise and Schmidt 2005.

28. See Risse 2002.

have to try harder; and yes Bush in his second term is doing his best to mend fences. But something has changed. Basic assumptions drawn from more settled times no longer hold. Testing and very difficult times thus lie ahead'.<sup>29</sup>

As I have argued in this book, the range and intensity of interstate antagonisms also depend on *socio-economic shifts* that play out within the respective national and macro-regional spaces, as well as between them, and that influence specific political and spatial strategies for control. The emergence of a European bloc of states that is well integrated in socio-economic terms has thus far contributed relatively little to sharpening transatlantic conflicts. This might have to do with the relatively weak economic growth in the EU since 1989 and its considerable dependency on the US economy. A special summit of government heads in 2000 proclaimed the formation of an economic space that could be economically competitive and dynamic on an international level (the so-called 'Lisbon Strategy'). Yet, this did not lead to a unified strategy of control directed against the US, even if some of the leading thinkers in power politics see this as the strategy's goal. At the same time, there are divisions in Germany over the direction of German and EU foreign policy, fueling a comprehensive debate about the re-orientation of German foreign policy.<sup>30</sup> Both intra-European competitive relations (for example with Great Britain), intra-societal crises, and the institutional weaknesses that result therefrom can prevent the development of a unified 'European' geopolitics. Paradoxically, one of the central premises of neo-institutionalism within the field of IR, namely that institutionalisation leads to a weakening of interstate conflicts, could take a contradictory turn: only with deepened institutional structures in the EU will this disparate power bloc be able to pursue a more independent and powerful form of world politics.<sup>31</sup> Thus, the EU continues to resemble a 'sleeping giant' more closely than not, yet one that, 'in the middle- and long-term, can awaken and grow into a major imperial power'.<sup>32</sup> Whether the relative decoupling of economic and geopolitical competition within transatlantic space in the post-Cold War era will be more closely *re-coupled* depends, among other things, on the development of transatlantic currency conflicts.<sup>33</sup> In the case of the ongoing economic rise of East Asia and China, this trend could accelerate. One result, then, would be

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29. Cox 2006, p. 133.

30. See Hacke 2004; Jäger 2004.

31. This is being worked on right now, despite whatever setbacks have occurred: thus for years now, national armies and their delegations in the emerging European armed forces have undergone considerable re-structuring and re-organisation so as to meet the EU's officially declared goal of meeting the challenges of global interventions (see essays in Pflüger and Wagner 2006). However, the potential represented by the sum total of defence expenditures of EU member states (that is, between \$170–90 billion) has not (yet) been realised because they continue to exist as the defence budgets and national infrastructures of individual states. There is a parallel development with respect to military abilities and the capacities of national military apparatuses (Krause 2005, p. 57).

32. Bieler 2005, p. 262; compare Carchedi 2001, pp. 114 et sq., 190–8.

33. Carchedi 2001, pp. 157 et sq.

the considerable re-structuring of financial- and trade-relations within the 'West', which until now have exhibited a high degree of interdependence.

Up to now, it has mainly been *geopolitical shifts* after 1989 that have led to notions of Europe as a counter-power. The fact is that with the demise of the USSR, the Western alliance has lost its very geopolitical reason to exist, one it had long taken for granted. A new 'common threat' that can support and ensure the formation of a lasting strategic unity has not yet taken its place. 'International terrorism' has not yet reached the degree of expediency that 'anti-communism' had (in terms of having a considerably 'dangerous' material basis, that is, of being a well-armed major power). The example of NATO's development proves this point.<sup>34</sup> NATO's structures, which are centred on the North Atlantic Council, can also be understood as a collective, institutionalised committee for resolving intra-capitalist conflicts. As a result of changes in the world political constellation after 2001, this terrain for resolving conflicts has fallen into crisis.<sup>35</sup> At the same time, however, NATO's functional military capabilities have been maintained, which is about more than simply its institutional interests to persist. NATO represents (and not just from the perspective of the US) a selective instrument whose usefulness can be determined on a case-by-case basis. Moreover, the deployment of NATO 'stabilisation forces' to Afghanistan or the Balkans, NATO's eastward expansion, and an allied policy that expands beyond the borders of actual NATO members states (to the Caucasus or in Central Asia, for example, in the context of a 'partnership for peace', or to the South as part of a 'Mediterranean dialogue') all give NATO greater influence over non-member states, which NATO of course interprets as an asset. Consequently, not only the United States, but also Germany and France continue to have interests in NATO.<sup>36</sup> On the one hand, the US sees NATO as a tool that allows European states to commit to an allied policy, but a policy that in fact essentially follows US demands. On the other, NATO is seen as a power base that (within the context of Europe's inability to impose itself on world politics) can bolster European interests to a certain extent. The joint military interventions against Yugoslavia in 1999 were an expression of this type of *complementarity of interests* between European states and the US, which nevertheless was based on essentially contradictory goals. While the EU needed the US army in order to control the Balkans, the United States successfully exploited the opportunity (similar to what it had done in Bosnia in 1995) to project itself as the only qualified guarantor of European security. Currently, it seems to be clear to most parties involved that the next stage of the war on terror poses a substantial risk of escalation – which finds its expression in how each side signals its desire to prevent a geopolitical conflict, that is, the break-up of this alliance.<sup>37</sup>

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34. See Varwick and Woyke 1999.

35. Risse 2008.

36. See Theiler 2003.

37. Cox 2005, p. 224; compare Cremer 2006.

There are similar tensions in transatlantic interactions on different terrains, namely should Turkey join the EU, for example, and thus bring the union's outer borders closer to 'hot conflict zones'. One EU commission paper described this potential thus: 'Turkey's entrance would expand the EU's border to countries beset by tensions, thus placing the problems of the region higher up on the foreign-policy agenda of the EU'.<sup>38</sup> Moreover, potential polarisation between China and the US could force the EU to re-position itself.

Finally, I will mention here areas of tension within transatlantic relations that are normatively charged. As a rule, references to a policy of *soft balancing* within (core) Europe are read as a call for 'multilateralism'. Similar to China or Russia, governments in Germany and France have officially committed themselves to 'return' to 'multilateral' foreign policy decision-making processes. However, this diplomatic formula can be (and is) understood as a way to limit US power incrementally. In other words, these calls are seen as leading the way from a 'unipolar' towards a 'multipolar' world.

In fact, foreign relations between the strongest states extend beyond the political-diplomatic confrontation of 'multilateralism' versus 'unilateralism'. Instead, they involve a complex interweaving of uni- and multilateral forms of politics.<sup>39</sup> Without a doubt, the Bush administration's public positions represented a change in tone that reflected a *tactical* shift in foreign policy, which I see as the expression of a new constellation within the phase of a new world order.<sup>40</sup> Nevertheless, a proper *strategic* break with the past did not take place. The Clinton administration ignored the UN, as well, and applied certain measures unilaterally when it deemed doing so necessary. In reality, that administration's emphasis on multilateral world politics was a *selective* multilateralism that was used when agreeing with and supporting other countries seemed sensible – at the same time, the potential was always reserved to act alone when it was seen as appropriate to do so. Uni- and multilateralism are not mutually exclusive: in certain domains of foreign policy, it is possible to act unilaterally while in other domains, one must proceed along multilateral lines simultaneously. In reality, the policies of individual states oscillate between these two poles of uni- and multilateralism. Capitalist states always act selectively because they try to align their foreign-policy decisions with their respective position within the international system and the internal constellation of actors and power relations. This applies as much to Russia or China as it does to the EU states or the US.<sup>41</sup> The United States certainly has the largest power potential at its disposal to act 'unilaterally', indeed in the most sensitive questions in world politics. However, even neoconservative 'unilateralists' do not reject multilateral politics outright (in economic

38. Cited in Pflüger 2006, p. 61.

39. See Görg and Wissen 2003.

40. The National Security Strategy of the US and its proclamation of the autonomous right of preventative military measures – which applied as well to nuclear strategies – is one such shift within this process (Jäger 2004, pp. 150–6).

41. See Pollack 2003, pp. 124 et sq.

policy, for example), when such politics can serve US interests as they understand them.<sup>42</sup> The way in which Germany, France, and Russia positioned themselves against the Iraq War in 2003 demonstrated that these states are also able to act ‘unilaterally’. Should they decide to pursue more intently a policy of forming a counter-weight, and should the US (or other states) become less willing to enter voluntarily into multilateral proceedings, there is the potential for competitive relations to sharpen.

### 3. China and the US: A new cold war?<sup>43</sup>

China has become the second largest economy on earth. The growing significance of the Chinese economy thus involves a restructuring of competitive relations within international markets. Most recently, we have seen a shift of power relations within international institutions in favour of China (and other emerging economies). Examples of such include the G20 summit, founded in the wake of the global financial and economic crisis, and the reform to voting rights within the International Monetary Fund (IMF).<sup>44</sup>

Both journalists and social scientists, especially in the field of international relations (IR), are divided over the consequences of this epoch-making transformation. Broadly speaking, we can distinguish two basic positions: while some authors warn of the coming ‘confrontation’, ‘danger’, and/or ‘challenge’ that China represents,<sup>45</sup> others foresee China integrating itself into the international economic and political system in largely cooperative ways.<sup>46</sup>

In fact, the rise of China has created a complex situation characterised by *both* cooperative and conflicted aspects, which I analyse here by exploring the specific model of social development in the People’s Republic. Based on new findings from research on China and political economy approaches, I analyse China as a variant of late (state-) capitalist development. This model is characterised by close connections between state and private actors, a sharp orientation on growth and competition, and an aggressive national focus on foreign and economic policy.

In addition, I examine the inter- and transnational integration of the new Chinese capitalism in the context of a fragile international system. Beyond the continued existence of multiple individual states and various, not always complementary, interconnected national and foreign policies, such a system is characterised by shifts in the international constellation of power. The fragility of the world system under the leadership of the United States, according to one hypothesis, promotes interactions with China that are fraught with tension, even if the former country attempts to carry out ‘responsible’

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42. Brock 2006, p. 218.

43. Revised in 2012.

44. This section is also based on ten Brink 2012a.

45. See Arrighi 2007; Bremmer 2010, Halper 2010, Layne 2009; Mearsheimer 2003, and 2010.

46. See Ikenberry 2008, Jiang 2008, Wang and Rosenau 2009.

superpower politics. On this basis, I examine the extent to which the hypothesis of a conflict-ridden rise of the People's Republic is empirically verifiable, while paying particular attention to China's relationship to the US. Indeed, China's national economy is still dependent on the 'old' centres of global capitalism as well as on transnational corporations and Western export markets. It does not follow, however, that this dependency leads to easy cooperation. On the contrary, the currency disputes that followed the global crisis of 2008–9 indicate politically mediated conflicts among the relevant local economies. Optimistic perspectives of China's conflict-free integration must therefore be qualified – as illustrated by the leadership role it plays in the process of East Asian regionalisation – without drawing hasty conclusions about military clashes and the transition to a new Chinese hegemony rooted in East Asia but global in scope. The new pole of Chinese power remains tied up in regional and global networks of cooperation, even if its very existence challenges established power constellations within international institutions. Neither a hegemonic transition nor explicit geopolitical conflicts with the US are very likely at the moment, including in East Asia.<sup>47</sup> My discussion adopts theoretical insights from recent research on China, Comparative Political Economy (CPE), International Comparative Economy (ICE), and other previous research. I make reference, as well, to multiple studies accounting for the restructuring of East Asia, the international economy, and regional and international institutions, and regulatory and hegemonic structures.<sup>48</sup>

### 3.1 *State-permeated capitalist development*

In 1978, China found itself in a deep crisis in the wake of the Cultural Revolution. The Chinese power élite, led by Deng Xiaoping and the reformers around him, began to restructure the country on a trial-and-error basis. At the time, no one could have foreseen what the outcome would be. As a result of these multiple, far-reaching changes, we have witnessed the unique transformation of a command economy into a strong, market-led development model.

Simply referencing the official slogan of the Chinese Communist Party (CCP) of a 'socialist market economy' is insufficient analysis. The typical characteristics of capitalism (for example, the drive to accumulate capital; an endless and boundless orientation on growth; competition; utilitarian, means-end rationality; and explicit social contradictions) have turned the economy into a new centre of global capitalism. For this reason, it is helpful to recall some chief findings from CPE and ICE when studying China's late

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47. For additional, explicit geopolitical implications of the growth of China's power, which challenge the delineated spheres of influence of the 'old' major powers and result in manifest conflicts, especially in Africa, see Alden 2010 and Dittmer and Yu 2010. The tense relations between China and other states (for example, India) are not taken up here due to space considerations.

48. See, for example, Beeson 2009, Breslin 2010, Dittmer and Yu 2010, and Katzenstein and Shiraishi 2006.



development. In contrast to market- and corporate-centred theories of capitalism, I orient on a theoretical framework that integrates state activity and international power relations into an analysis of capitalist developments. Moreover, I use the concept of a 'variegated capitalist world system' to understand the commonalities of global capitalist development and socio-economic interdependencies among various capitalisms that regularly lead to conflicts.<sup>49</sup>

In addition, I consider China's political economy as a competition-driven variation of heterogeneous state-permeated capitalism.<sup>50</sup> This takes the form of extensive state intervention with a specific competition-driven, corporate spirit. With this form of intervention, the state leadership is counting on China's rise in stature on both economic and political fronts. Chinese society is distinguished by close links between state apparatuses and corporations – the legacy of a bureaucratic command economy, the ruling CCP, and the role of late industrial development.<sup>51</sup>

In order to elaborate the features of late capitalist development in China in a detailed way, I now turn to describe briefly some important characteristics of the economy, the mutual relationship between the state and the economy, and the financial system.<sup>52</sup>

Regarding essential *economic characteristics*, the systemic need for constant accumulation and innovation so as to maximise profit has established itself in the People's Republic in the context of a shift in the capacity of state authorities to control and manage numerous corporations. A mixed economy that is neither 'free' nor 'competitive' in the classical sense regulates these relationships. On the central state level, a new form of (profit-oriented) state-owned corporations does continue to dominate; nevertheless, private corporations and public-private economic régimes have also played a more significant role in development, especially at the subnational level. The almost symbiotic relations between the party, state and corporations have not been broken up in this process. At the same time, the Chinese economy as the 'workshop of the world' has been integrated into the world market and networks of transnational production over the last few decades.<sup>53</sup> A series of competitive strategies result from these dynamics, among them: the attempt by Chinese concerns to take on greater influence in Western dominated supply chains; an export-oriented offensive; for several years now, the international relocation of capital; and, from the perspective of state economic policies, political

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49. See Jessop 2009, and Streeck 2010.

50. For further discussion, see ten Brink 2012b.

51. See McNally 2007, and Naughton 2007.

52. I do not address here in a thorough way the hierarchical labour systems and the social dynamics of destabilisation that are equally typical of capitalism. Rather, what is relevant for understanding the international effects of China's rise is the issue already observed in other societies that power élites attempt to solve their internal conflicts and deficits in legitimacy by constructing an external, hostile 'Other'.

53. Data at the national level only partially reflect the transnational organisation of the Chinese economy. Many export products made in China are only 'Chinese' in the sense that they were assembled there.



support for international corporate activities, access to and securing of raw materials, and direct investments.

Regarding the *relationship between the state and the economy*, the significance of the double structure of the party and state apparatus, as well as various degrees and forms of state intervention, all constitute a distinct political system on the Chinese mainland: the 'party-state'. The ideology and praxis of the party-state have renewed themselves over the last decades. Above all else, the term 'socialism' stands for successful economic modernisation and pragmatic orientations open to experimentation. Party and state apparatuses focus on macro-economic parameters of success. In the People's Republic, neither state intervention nor state property represents a negation of capitalist relations. 'Economy' and 'politics' in China together form an interdependent network. According to empirical studies, the process of transformation has led to narrow coalitions of interests among economic and political elites. In the formation of economic processes, state activity plays a constitutive role. By contrast, state apparatuses are dependent on successful accumulation and, therefore, (almost) anything that might endanger economic development is prevented. This is especially relevant for officials within regional authorities whose career paths are directly tied to high rates of growth. Indeed, however, the political power élite as a whole has an interest in thriving economic development – simply put, this is the source of legitimacy for the entire régime – and in broad national development to the highest degree possible. This suggests that foreign policy and international economic policy cannot fundamentally deviate from these motives.<sup>54</sup>

Last but not least, the *financial and monetary system* represents another core element of the Chinese economy that allows for international economic interaction while at the same time also creating conflict.<sup>55</sup> What is important about this system is that it allows for international economic exchange while not basing such exchange on conflict. Moreover, the system is characterised by the state playing a strategic role. At its heart is the banking system, with a powerful central bank, which determines monetary policy and controls the currency exchange rate. Alongside the largest state commercial banks (which in the interim are now traded on the stock market) and additional state-run policy banks, increasing numbers of other commercial banks (usually publicly traded) have been established. These developments are tied to key lessons that the Chinese government took from the Asian economic crisis of 1997–8: namely, that state control of capital flows and exchange rates must be maintained.

Taken together, state-permeated capitalism in China, which thus far has been integrated into the world market and is driven by competition, embodies an exceptionally dynamic economic model. At the same time, the ruling technocratic élite are aware of

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54. At the same time, its strong dependence on exports and foreign direct investment explains the political support within China for foreign corporations. For example, provincial and local city governments have created close connections with foreign companies.

55. Naughton 2007, pp. 449–81.

their dependence on the international economy and politics, which could potentially inhibit further growth.

The thorough dependence of China's economy on international economic developments translates into the following self-image of its foreign policy: the Chinese state leadership describes itself as an aspirational, but also 'responsible' world power that is obligated to honour the goals of economic stability, growth and world peace. At the same time, the domestic credo of a 'harmonious' society shapes the positions China takes with respect to foreign policy. Because China's rise has been met so consistently with international scepticism, though, this notion of a 'harmonious world' also represents the attempt to disarm those resentments and to rein in anti-Chinese sentiments internationally. In addition, foreign policy strategists in Beijing refer to the negative consequences of aggressive American foreign policy; simultaneously, they rely on the UN system as the centre of global governance, the principle of 'non-intervention' in the domestic affairs of other states, and stressing the 'diversity of civilisations', all of which opens up critical maneuvering room for national interpretations of international norms.<sup>56</sup>

At the same time, the state leadership, which is based on close alliances with corporations, is aware of new power capacities that result from the historic growth of the Chinese economy. To help provide this rapid growth with continued success, the state élite makes use of the following foreign policy measures in the context of power shifts within the international system and economic competition between countries:

Through specific foreign policies, Chinese political institutions provide support for the global search for profitable investments and promising new markets. Examples of such include political support for implementing foreign investments and using formal diplomacy to facilitate economic relations. The Chinese State Council, some ministries (such as the trade ministry MOFCOM), the central bank, and the National Development and Reform Commission have additional regulatory mechanisms at their disposal to stimulate the national economy, in particular trade policies (for example, tariffs and duties) and currency policies (for example, influence over the exchange rate and monetary policy). The government generally supports foreign investments within the country, but even since joining the WTO in 2001, it simultaneously controls the criteria that regulate market access, while sharply limiting access to certain key sectors.<sup>57</sup>

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<sup>56</sup>. See Jiang 2008.

<sup>57</sup>. See Breslin 2010. In contrast to the widely-held notion of a monolithic process in China for determining policy, the fragmentation of Chinese society into a complex multi-level governance system on the foreign policy level has led to a situation in which competitive conflicts break out not only between the ministries responsible for foreign policy and commerce or between military and civil authorities, but also between the central state and regional governments. The foreign policy decision-making process is thus considerably more complex (and leads as well to contradictory signals, policies, and bureaucratic immobility) than I am able to take up at this point (see Schmidt 2012).

In addition, security policy is used in an effort to manage international relations with the intent of at least indirectly supporting successful capital accumulation. These efforts include both political support for securing the provision of raw materials, *soft* (geo-)political measures such as economic incentives, as well as *hard* geopolitical moves such as securing commerce and ocean routes.<sup>58</sup> In this way, the state's military capabilities provide a concrete political backdrop for its international assertiveness.<sup>59</sup>

These tools influence China's position in the international system. Similar to other emerging states and major powers, the People's Republic aims to agglomerate extensive 'national strengths'.<sup>60</sup> In order to reach this goal, the PRC advocates multilateral decision making. The government *stresses* 'soft' means of power and the power of coordinated global governance. However, they *utilise* just as often their increased power to block initiatives within international institutions and other 'hard' forms of power, such as efforts to modernise the army and create powerful naval forces in the South China Sea and Indian Ocean, so as to provide a certain legitimacy to their security interests. By all accounts, an 'appropriate' position on the international stage requires such hard and not always harmonious measures, which are increasingly seen at rhetorical levels in Beijing as anachronistic.<sup>61</sup>

Of course, at the same time, the Chinese state confronts a power complex that is both far stronger and increasingly distrustful of Chinese actions: along with gestures of appeasement, the Obama administration applies liberal-realist political traditions in pursuit of security measures that aim to integrate China into a concert of powers – one directed by the US, of course, with the implicit goal of subordinating or domesticating the People's Republic.<sup>62</sup> In this context, a decision was taken at the end of 2011 to

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58. In general, geopolitical 'services' and strategies obviously cannot be derived solely from economic interests, even in the case of China, but rather are always also an expression of the interests of state institutions that attempt to maintain their sovereignty and thus their power base.

59. Zhang 2010, pp. 49–57.

60. In debates among Chinese scholars in the field of international relations, we can see a significant interest in 'great power politics' (Huang 2007). An example of this is the article by the influential party intellectual Zheng Bijian (2005), which endorses the theory of China's peaceful rise to becoming a major world power.

61. See Wang and Rosenau 2009, pp. 36–8.

62. The suggestion made by US political advisors for a 'G-2 structure' met with rejection in China (Wang and Rosenau 2009, p. 35). In 2008, shortly after Obama's election as US president, the US National Intelligence Council made reference to the insecurities that could result in the anticipated shifts in power in favour of China. Perhaps for the first time, a quasi-official US agency predicted that by 2025 the United States would still be the most powerful world actor, but no longer the dominant one: 'The international system... will be almost unrecognizable by 2025 owing to the rise of emerging powers, a globalizing economy, an historic transfer of relative wealth and economic power from West to East... Strategic rivalries are most likely to revolve around trade, investments, and technological innovation and acquisition, but we cannot rule out a 19th century-like scenario of arms races, territorial expansion, and military rivalries... [T]he United States' relative strength – even in the military realm – will decline and US leverage will become more constrained... China is poised to have more impact on the world over the next 20 years than any other country' (NIC 2008, p. vi).

increase the presence of troops in the Asian-Pacific region, including in the important maritime zone of the South China Sea, moves that are seen in China as a provocation.

Taken together, this constellation I have sketched out in broad terms produces economic and foreign policy tensions – despite the existence of economic networks, interdependencies and temporary ‘win-win’ set-ups – and the cautious use of China’s newfound power.

### 3.2 *The integration of Chinese capitalism into a fragile world system*

Over the last few decades, the Chinese economy has profited from favourable international economic conditions: from the relocation of commodity and value supply chains towards East Asia, for example, and from the transnational production networks of the ‘overseas Chinese’, who already had started to build investment bridges in the 1980s to the mainland, primarily through Hong Kong. From the 1990s, a period in which China followed other East Asian exemplars to establish an export-oriented régime, its economic growth has also thrived off a low investment ratio in the strongest OECD countries. The overaccumulation of capital, framed as an investment crisis within the global production centres, facilitated the relocation of capital investment to China. As a result of the Asian Crisis of 1997–8, and later with the dotcom crisis in 2001, transnational production networks (above all in the electronics industry) began to shift their orientation towards the Chinese mainland.<sup>63</sup>

This restructuring of capital valorisation supported China’s late development, which in turn transformed the country with the largest population on earth into a highly relevant strategic location within what used to be the periphery. Similar to earlier developmental phases of capitalism, a *late-developing* economic power could profit in two ways from the developmental advances of the *dominant* economies as it expanded its productive forces: through the transfer of technical and organisational know-how, and through foreign direct investment, especially given the slowdown in growth in the old centres.

Up to 2008, this process did not involve any sort of substantive conflict. Rather, the major Western economies, especially the United States, and China were able to realise economic growth in mutually dependent ways: large quantities of liquid assets especially from the US ensured the continuity of investments and the historic boom in China. At the same time, the US functioned as the end buyer of export goods produced in China. Indeed, not until the 2008–9 economic crisis was there any significant doubt as to whether this ‘win-win’ constellation – a dictum in China nowadays – could be made to last.<sup>64</sup>

In a context of the fragility of the US-led international system and of Chinese interests in using foreign policy and economic policy to buttress its growth, it is now possible to draw some more precise conclusions about China’s rise. With a nod to the central

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63. See Hung 2008.

64. See Schmalz 2011.

components of the new Chinese capitalism mentioned above – deeply integrated into the world economy, but also a high degree of state centralisation, in the finance sector as well – I address two points in the following section. First, I take up China's 'going out' strategy, which relies on dependencies and cooperative aspects alike, and the tension-filled effects it has. In this way, the currency disputes with the US and the conflict over the US dollar embody specific, if also complex, examples of how economic competitive relations and political strategies for control are mediated. Second, I use the role of China in international organisations and within East Asian regionalisation to demonstrate that China's foreign policy leads to specific unintended consequences and potentially full-blown conflicts. The global crash of 2008–9, which imposed severe consequences on those Chinese economic sectors oriented on US and Western consumer markets, has in fact *strengthened* the mutual dependency of the two largest economies on earth. Because the domestic Chinese market is growing and once again is able to produce efficiently, Western corporations increasingly see the Chinese economy as a lifeline – even if China is pooling a larger proportion of international aggregate output and has monetary investments at its disposal that are regularly scorned in Western media as a threatening concentration of power. Seen the other way around, Chinese 'exportism' is equally dependent on US and Western markets.

These mutual dependencies have nevertheless triggered a shift in the balance of power: Although many Chinese companies are still often integrated into transnational production networks as subordinate units<sup>65</sup> while the bulk of profits go to multinational corporations, multinational corporations from developed economies are simultaneously creating new competitors insofar as they attempt to profit from growth on the Chinese mainland.<sup>66</sup>

In the process of late capitalist development, Chinese companies and the political elites so closely tied to them have used many strategies to challenge the subordinate position implied in the phrase 'workshop of the world', while also using so-called spill-over effects, for example, to bring about positive consequences for the technical development of home-grown companies. Similar to how German corporations 'illegally' copied English innovations in the last third of the nineteenth century, Chinese companies and local authorities use joint ventures, for example, to accelerate the transfer of technology. Further, through active contact with major foreign concerns, Chinese industry has increasingly aligned itself to world market standards, which in turn exerts pressure at home to discipline labour forces as well as to develop advanced tertiary education and research sectors. Extensive efforts are currently being made to integrate entrepreneurial creativity with state capacities, such that China itself can become a motor of innovation.

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65. See Hürtgen et al. 2009.

66. Zhu and Kotz 2011, pp. 25–6.

In the last few years, moreover, there has been a significant increase internationally in competitive firms from China based in both state, mixed and private sectors.<sup>67</sup> In contrast to the global trend of decline, Chinese outward foreign direct investment (FDI) increased considerably after 2008. Even if Chinese FDI is smaller by comparison to, say, German FDI, in many cases this ‘going out’ strategy has nevertheless been successful.

China has an overarching goal of creating national flagship corporations (‘national champions’) which take on increasing transnational influence because of their strong position on the domestic market – and thus, the activities of such corporations are politically shielded and supported. In this way, the state leadership is interested in maintaining close connections to new corporate locations and markets: ‘An interesting reflection of this trend is the fact that virtually every overseas trip by a senior Chinese official now includes a visit to the local Huawei subsidiary’.<sup>68</sup> Further, the state subsidises and provides credits for new raw material extraction projects and the acquisition of technologically intensive foreign companies.

Chinese corporations typically concentrate on emerging markets, which is partly why they go less noticed in Europe. The goal, however, remains to operate in the most important OECD economies as well. Building an export base for greater access to the North American market, for example, is an important motivation for Chinese activities in Latin America.

*Resource* and *security* policy measures simultaneously promote China’s rise on the world stage. This manifests itself in expanded political engagement in the ‘Greater Middle East’, in Asia, Africa and South America, which the state leadership hopes will ensure the provision of raw materials over the long term. As a result, a number of *political* conflicts have already transpired, especially with the US, including the debate over sanctions against Iran in the UN Security Council, and China’s rejection of UN intervention in Sudan. Another example of China’s ‘soft balancing’ is its collaboration with Russia in February 2012 to block a UN Security Council resolution against Syria. In much the same way, the area of currency policy has been the realm of important tensions, which the next section addresses.

### 3.2.1 *Currency disputes*

As described above, the international crisis in the old centres of the world economy played into the hands of Chinese corporations and the Chinese state leadership. A side effect of China’s (expanding) ‘going out’ strategy, however, has still not been taken into consideration and involves sharpened international competition over worldwide export markets.<sup>69</sup> Across the globe, major economies have focused on opening up and developing such markets as a central strategy for solving the economic crisis. In terms of

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67. See Yeung and Liu 2008.

68. Williamson and Zeng 2007, p. 99.

69. See Zhu and Kotz 2011.

economic policy, this sharpening competition has manifested itself since 2010 as significant rivalries over currency.<sup>70</sup>

In the context of modest economic growth in many OECD economies since the 2008–9 crisis, several developed countries have themselves turned to export strategies as a solution. To resolve domestic blocks on growth, for example, the US government expects to increase exports sharply over the next few years. At the G20 summit in Seoul in November 2010, the US went so far as to demand (unsuccessfully) a limit on export surpluses for other exporting countries. Given the potential for overcapacity to develop from a glut of exports, the likelihood of sharpened competition over markets increases. Some states thus attempt to use currency devaluation, among other tactics, to win greater market share at the expense of their competitors. We see examples of how this economic competition can find political expression in US critiques of China's 'undervalued' currency, the renminbi, or in US accusations of China's currency manipulation. The questions as to how best to respond to this competition remains contested: in fall 2011, for example, protectionist-oriented US politicians proposed a measure to counteract a weak renminbi with higher tariffs on Chinese goods. By comparison, the US central bank's strategy of a new phase of quantitative easing (QE2), which uses the purchase of state and private loans to increase the circulation of money, has met with sharp international criticism. This is because QE2 lowers the value of the US dollar and thus leads to cheaper US exports.

The Chinese state leadership, which, as mentioned earlier, exerts far-reaching control over the Chinese financial system and exchange rate, has responded to demands to raise the value of the renminbi by arguing that doing so would weaken their competitive ability, which in turn would lead to social protests with negative consequences for foreign investors in China. Moreover, the government uses its considerable holdings of US dollars as a bargaining chip: 'While sometimes regarded as a source of potential weakness and dependency for China, dollar holdings also represent a considerable source of structural and bargaining power. This fact has enabled China to manage its relationship with the US and global governance, in line with its developmental needs, from a position of strength'.<sup>71</sup>

There is no guarantee that these disputes will turn into serious *conflicts* over currency, although that remains a possibility. For example, those countries that make the bailout of financially weak corporations contingent on wage cuts and mass layoffs, as the United States does, risk triggering a form of 'neo-mercantilism'. When these policies combine with weakening international demand, they risk morphing into sharpened

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70. The stability of each currency area forms an important component of global competition. Because each relevant institution must ensure this stability with respect to each currency area, for example by undervaluing their own currency, a form of currency competition arises that can escalate to a political conflict.

71. Strange 2011, p. 551.



'beggar thy neighbour' policies.<sup>72</sup> This is especially so in the US, considering the fact that the hegemonic position of its finance system and the dollar had already weakened in the years before the crisis. The situation before 2008 is often described as 'Bretton Woods II' based on US trade deficits on the one hand and Chinese trade surpluses on the other. This arrangement guaranteed the dominance of the US dollar despite state and foreign debts, but was already called into question before the 2008–9 crisis, thus making a fragmented currency system all the more likely.<sup>73</sup> Such fragmentation is not in US interests: thanks to the global dominance of the US dollar, the US state historically had greater capacities than other nations to shoulder trade deficits, a gigantic defence budget as well as crises. A fragmented currency system undermines this and suggests coming conflicts. Not without reason, then, Chinese proposals to create a new international financial infrastructure and threats to divest its dollar holdings<sup>74</sup> have met with considerable suspicion in the US.<sup>75</sup>

### 3.3 *China, international political institutions, and East Asian regionalisation*

China's economic and political rise has found political expression in international institutions, most recently seen in the new G20 formation. Until now, the PRC has tried to play a cooperative role in regional and global institutions. With a policy of pragmatic alignment, the country has aimed for both normative and political integration. Even at moments of discord, this has not led, for example, to creating alternative organisations.

However, a closer look suggests various constellations within different sectors: while China has behaved and been treated as a 'status quo' power with respect to financial and banking regulations (for example, the Basel accord, the International Accounting Standards Board, Financial Stability Board), rivalries have emerged between the US and China in the area of currency and exchange policies, as mentioned above. In commerce, these rivalries have rendered the World Trade Organization partly dysfunctional. Indeed, conflicts between the 'North' and the emerging countries have produced a crisis in the

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72. See Schmalz 2011.

73. See Cohen 2009.

74. Were the PRC to divest of its dollar holdings too quickly, the value of the dollar would fall while the value of the Chinese renminbi would rise, which would counteract the competitive advantage that China's export economy holds. With its proposals, then, the state leadership is thinking primarily on a mid- to long-term basis of capital redeployment, which might still serve to expedite the erosion of the leading currency. It is possible that the renminbi might become a full-fledged reserved currency in the foreseeable future.

75. Whether the US government over time adopts a confrontational stance towards China depends as well on the outcome of domestic confrontations: While those US companies deeply embedded in the Chinese economy of course are interested in cooperative relations with China, there exist other capital groupings more sharply oriented on the domestic US economy that are more sceptical about China. Moreover, there are political conflicts between populist-protectionist forces and a different, more transnationally-oriented power bloc. The former could take on the project of externalising the crisis (Nolan 2010, p. 86).



WTO since 2003. With respect to regulating intellectual and artistic property, China has accepted international standards such as the TRIPS accord; still, disputes and lawsuits by Western corporations continue over China's failure to implement these standards. In terms of development policy, rejection of the 'Washington Consensus' and reforms of the IMF (especially the distribution of voting rights) has revealed the relative weight of the PRC. This has led in part to an open-ended contest over new development policies.<sup>76</sup> And, with respect to environmental policy, China now has considerable power at its disposal to influence or otherwise block relevant decisions, as illustrated by the spectacular failure of the climate conference in Copenhagen at the end of 2009.<sup>77</sup>

It is above all in Asia that the PRC contributes to the formation of regional institutions that either possess or have the potential to reach greater independence from the West and from the US.<sup>78</sup> This is particularly noteworthy in terms of China's rise in East Asia, which is only more extraordinary when one considers the extent of animosity and antagonisms in the region across previous decades. In East Asia, the Association of Southeast Asian Nations (ASEAN), the ASEAN regional forum, the East Asian summit and the ASEAN+3 talks (with China, Japan and South Korea) together form the hub of economic collaboration and the creation of a partial security alliance. In each of these formations, the PRC has shown itself to be a leading power.

For this reason alone, the integration of East Asian space requires the exertion of political influence in order to overcome economic instabilities. Moreover, China's leadership envisions a macro-regional scenario in which it can institutionalise its newfound economic strength and exert that strength in politically effective ways. The East Asian summit in Kuala Lumpur at the end of 2005 is instructive in this respect. Chinese negotiators ensured the summit took place without US participation, against the explicit desires of Japan.<sup>79</sup>

Do these developments thus signal the end of a regional set up centred on Japan and protected by the US, and the emergence of a 'Sino-centric' constellation? In the context of historical confrontation with Taiwan, we have already seen movements in this

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76. See Chorev and Babb 2009. China's development model is held up by other emerging economies as a model. Whether and to what extent this results in a transition to a post-liberal world order on the terms of a 'Beijing Consensus' is anything but certain.

77. This has already been the case for some time in the UN. Chinese foreign policy thus partly resembles a thoroughly 'realist' stance: The (not always explicitly articulated) assumption that international relations are essentially characterised by power politics and inter-state competition amounts to a strategy of bilateralism and instrumental multilateralism. The latter plays out along the principle of taking joint action when it seems sensible to do so – but at the same time and intentionally taking advantage of the ambiguity inherent to international treaties formed by compromise, and remaining aware of the limitations of international cooperation.

78. We should include here, as well, the Shanghai Cooperation Organisation, founded in 2001 with Russia and other Central Asian nations, oriented on security policy and increasingly seen in the West as a Central Asian equivalent to NATO. The SCO has since constrained US influence on the region (Swanström 2010).

79. Dosch 2010, p. 75.

direction. A type of economic reunification of Taiwan and the mainland has begun, insofar as similar political and economic structures have facilitated greater integration. As with state capitalism on the mainland, Taiwan's political economy constitutes a tightly woven network of party, government, administration and corporate activity.<sup>80</sup>

Overall, however, China's growing aspirations in East Asia have not resulted in unquestioned hegemonic leadership. It is true that China's skilful foreign policy initiatives have led to a significant shift in the extent of influence that major powers hold in the region. However, even if US influence has declined and Chinese corporations or politicians have been received with the sort of sympathy that was once reserved for Japan or the US,<sup>81</sup> the regional organisations and the often informal régimes in East Asia themselves represent a countervailing trend to China's leadership aspirations. Taken together, they form a relatively incoherent, contested regulatory context.<sup>82</sup>

In particular, the ongoing power of Japan inhibits the development of an unchallenged leadership role for the PRC. In the process of East Asian regionalisation, both China and Japan see a means to enlarge their own respective influence.<sup>83</sup> Likewise, US policy and its continued superiority in security infrastructure in Asia work against Chinese ambitions. The continuation of a close US-Japan alliance and a policy of bilateral negotiations with each respective country do not only resonate in South Korea. Instead, at the ASEAN regional forum in Hanoi in July 2010, member nations sharply attacked China's geopolitical aspirations in the South China Sea because they were intent to maintain cooperative relations with the US.

The regional cooperation increasingly fostered by China is also permeated by competitive relations, divergent interest coalitions, and mutual mistrust.<sup>84</sup> In this context, there is no guarantee of a smooth path to reunification of Taiwan and the mainland. For example, if US policy advisors are correct, then resolving the Taiwan question only stands to *increase* China's rivalry with the US:

As U.S. General Douglas MacArthur put it, Taiwan is an 'unsinkable aircraft carrier' mid-way up China's seaboard. From there...an outside power such as the United States

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80. This does not imply, however, an extensive *political* integration. Although Beijing does not currently hold an aggressive stance towards Taiwan, it continues to assert that Taiwan belongs under the sovereignty of mainland China and it attempts to reduce Taiwanese influence on the region through proactive East Asian foreign policy (Beeson 2009).

81. See Kurlantzick 2008.

82. Interstate cooperation in East Asia is still oriented primarily on the model of bilateral relations. The free trade agreement that took effect in 2010 between China and the ASEAN countries (CAFTA) has much to do with the rivalries between China and Japan, which express themselves as a form of competitive regionalism, that is, in differing conceptions of regional integration and order (Munakata 2006, p. 133).

83. This tension, so central to East Asian politics, once again exposed itself in fall 2010 in the incidents in the East China Sea and in a conflict over an alleged suspension of deliveries of rare earth materials which are fundamental for Japan's high tech industry.

84. As can be seen in the ongoing conflict in Korea, the process of neutralisation of multiple interstate conflicts cannot be generalised in a one-sided way.

can 'radiate' power along China's coastal periphery. If Taiwan returned to the bosom of mainland China, the Chinese navy not only would suddenly be in an advantageous strategic position vis-à-vis the first island chain but also would be freed up to project power beyond it to an unprecedented degree. The adjective 'multipolar' is thrown around liberally to describe the next world order; only the fusing of Taiwan with the Chinese mainland would mark the real emergence of a multipolar military order in East Asia.<sup>85</sup>

Far more than peaceful coexistence, the situation in East Asia instead signals an unstable constellation that opens up space for destructive competitive relations and bilateral conflicts.

All in all, Chinese state-permeated capitalism has been able to develop considerable capacities not least because of its widespread integration into the world economy. Moreover, China's political leadership uses its new power base intentionally to raise China's status on the world stage. In this context, and needing a good reputation, the régime in China risks counteracting its self-image as a 'responsible' great power striving for harmony. Although the People's Republic does not possess sufficient power capacities to win the changes in global networks of regulation that it needs and wants, the power élite in Beijing has nevertheless gained global influence, and has a greater ability to block and otherwise influence political machinations within international political organisations so as to advance its national interests. With respect to the United States, a relationship based on mutual, but tension-filled dependency has established itself, as the most recent currency disputes illustrate. Overall, China's state leadership vacillates between the often-unintended risks involved with challenging US global aspirations and pragmatically adapting to them. It is indeed unlikely at the moment that the rivalry between the US and China will escalate to the level of interstate military conflict. However, this does not mean we should ignore the various forms of competition and conflict that both play out just below the surface of manifest geopolitical conflict and characterise the relationship between aspirational China and the global dominance of the US.

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85. Kaplan 2010, n.p.



## Summary

In this study, I have attempted to develop a GPE framework for analysing concrete international development and power constellations. My aim in developing this framework is to be able to assess the continued relevance of the relations of competition and conflict within the modern state system both despite and because of protean globalisation processes.

My argument was neither designed to nor succeeded in generating a broad theory of international socialisation and the conflicts therein. It has, however, allowed me to make the following three claims:

1. Studying the 'horizontal' dimension of capitalist state competition within the framework of a broad analysis of capitalism is an invaluable starting point for analysing international competitive relations and geopolitics.
  2. An historical approach that periodises capitalist development in space and time and attends to the implications of institutionalised pressures and possibilities to act allows for concrete, empirical analysis of global rivalries within a given constellation;
  3. In order to capture the manifold relations of socio-economic and geopolitical competition and conflict on the international and intra-societal levels, especially in those historical phases after 'classical imperialism', it is necessary to differentiate various forms of geopolitics.
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1. If previous critical social analysis has focused primarily on the immediate economic causes of imperialist phenomena, then the approach taken in this work has attempted to integrate into its analysis the 'horizontal' dimension of capitalist

geopolitics, namely the competitive relations between individual states. In contrast to neorealist approaches within international relations, which often argue in universal-historical and simplistic power-political terms, the argument I have developed here incorporates three analytical moves: analysis of the imperatives placed on individual states both historically and in terms of their intra-societal roots; a framework based on an analysis of capitalist socialisation defined in broad terms.

Along with relations of wage labour, competition, and money, I see the plurality of individual states as a constitutive structural feature of the international capitalist system. That is, 'global' capitalism can only be conceptualised as a multitude of 'political' economies that in turn are based on structural interdependencies between economic and political entities and reproduce themselves through their mutual mediation. The ways in which each individual political economy is contingent on social power relations and on the actions of social actors are specific and vary with each individual case.

The significance of 'many' individual 'capitalist' states comprises several factors: in contrast to neoclassical assumptions, combined and uneven, dynamic, and crisis-prone economic development does not lead to homogenisation or convergence at the international level. Rather, relatively immobile spatio-temporal fixes of capital develop, especially productive capital fixes, that place stringent demands on state regulatory apparatuses. As these apparatuses attempt to meet these demands, they remain dependent on ongoing and successful capital accumulation. The pressure to de-territorialise goes hand-in-hand with producing territorial fixes, for which the individual state is particularly well suited on account of its specific social, legal, and infrastructural integrative and assimilative functions. Parallel to this, the individual capitalist state develops a fundamental interest in maintaining the attractiveness of its territory as a location for production, investment, and development; these interests, however, are not an immediate derivative of economic interests, but rather are connected to the state's interests in self-preservation. At the same time, the need to create cross-class coalitions so as to produce internal social coherence requires the integrative functions of individual states, even if they do not have to take the form of 'nation states', as the attempts (difficult to realise as they are) at macro-regional political integration such as the EU would seem to suggest.

At the world level, the result of all this is two patterns of socio-economic and geopolitical competition between individual capitals and individual states; each exists relatively independently of and cannot be reduced to the other, although at times they are closely interconnected. Capital movements and individual capitalist states foster various criteria for reproduction and thus develop a fundamental tension between and among them, which results in divergent strategies for action such that economic interests need not be immediately reflected in the actions of the state. However, the mutual, structural dependency of both actors often leads to congruent strategies as well, which express themselves among other things as geopolitical assistance in the global restructuring of capital realisation (in the production, circulation, and consumption spheres) and as the

attempt to manage international public spheres. Such services and efforts to create an international order can also not be sufficiently explained in terms of individual profit interests, but rather must be considered in terms of individual state interests, as well (which function, for instance, so as to maintain and expand their sovereignty and therefore with their own power base).

These issues suggest that capitalist geopolitics (that is, the attempt to control and exert influence in spaces precisely without having direct territorial control) cannot be explained only in terms of *inter-state*, or more broadly, *inter-societal* power relations and tensions, but rather and more appropriately should be interpreted in combination with *intra-societal* processes and power relations as well. Once again, the consequence of this is the need to distinguish between many *varieties of geopolitics*.

What results from these diverse articulations of cooperative and competitive relations between state power strategies is not a smooth international space, but rather one that is both structured by many actors in conflict with each other and superimposed by inter-societal relations. By definition as an anarchic, multirelational network that cuts across socio-spatial dimensions, inter- and transnational space fosters unintended and unanticipated forms of conflictive actions.

2. In response to the one-sidedness of much social-scientific analysis in which historical developments are either extrapolated prematurely or classified in narrow terms as a single capitalist *logic* of development, I have attempted here to analyse fundamental structural features of capitalism in their historical transformation. At the root of this is a claim that the changing ties between the four structural features of capitalism that I have discussed and their various historical manifestations must be included in any study of global rivalries. Historically, the structural dynamics and pressures to act under capitalism have been changed to a large extent by social and political strategies for action. Thus, a theory of (inter-)capitalist social conflicts must be able to account for the conscious actions taken by collective actors.

This makes an explication of historical phases of socio-economic and geopolitical power relations necessary. This intermediate analytical level helps to avoid deriving specific historical constellations directly from their constitutive structural features. In so doing, I have described *phases of the world order* and presented their various socio-economic and geopolitical forms: the non-hegemonic phase of 'classical imperialism' (1870–1945), the world order phase of 'superpower imperialism' (1945–89), and the 'New World Order' since 1989.

I have differentiated between historically distinct phases of the world order by using specific criteria that are common to each phase but have manifested differently within them, which do not correspond to conventional differentiations between phases of economic development and phases of statehood or state interventionism. With respect to socio-economic dimensions, I discussed various types of capital accumulation, among

them extroverted and introverted accumulation systems, as well as late-developing and dominant economies, against the backdrop of international economic rhythms of accumulation (that do not, however, correlate directly with the periodisation of world order phases). Moreover, I noted inter- and transnational processes (for example, foreign direct investment streams and corporate restructurings) as well as a distinction between leading currency systems and multi-currency systems to shed light on characteristics specific to a given phase. By doing so, it is possible to establish the enduring trend towards crisis and conflict that plays out specific to each stage despite the considerable differences in the institutional construction of diverse varieties of capitalism. With respect to (geo-)political dimensions, I introduced additional distinguishing criteria that allow us to characterise the transformation of capitalist state sovereignty and geopolitical strategies in the context of phase-specific changes to the importance of the 'politicisation of the economy', including the mutating forms of state interventionism in a broad sense on multiple spatial levels and the balance between 'hard' and 'soft' forms of geopolitics.

The world order phase of 'classical imperialism' between 1870 and 1945, which was characterised by two 'great' socio-economic crises and substantial instabilities, grew out of the erosion of British quasi-hegemony starting in 1815, which resulted in a multi-currency system, among other things. This created a non-hegemonic era in which rival imperialisms grew to challenge the British Empire and competed among each other on economic and power-political terms. The severity of these conflicts, as well as the related internal social radicalisations escalated to the point of using primarily hard forms of geopolitics.

The phase of 'superpower imperialism' after the Second World War was characterised by relatively stable socio-economic development but was nevertheless subject to a new form of primarily geopolitical confrontation. The hegemonic Pax Americana in the West (which was reflected in both international political institutions and a leading currency standard) and the 'Pax Sovietica' in the East (which relied more on [repressive] dominance) shaped the structure of the world order, even in the wake of the 'great' crisis of the 1970s. By using typologies of various world order phases, and within the framework of my expanded definition of structural features of capitalism, I was thus able to address, even if only in rudimentary ways, some weak points within theoretical discourse about imperialism – namely, elaborating a sufficient explanation of the 'East-West' conflict after 1945. I have characterised the latter as the conflict between two models of the capitalist world order, even if their respective governance systems manifested differently. From a global analytical perspective, the trend towards bureaucratic, state-capitalist economies represented a central characteristic of capitalism from the 1930s on that expressed itself in different ways internationally. The most extreme form emerged in the Soviet Union and the Eastern Bloc it dominated, which in a modified way was subject to both the rhythms of the world economy and the power relations of the international system of states, and which used geopolitics to ward off competitive pressures. At the same time,



this perspective allows us to understand the containment of 'western' state conflicts in the context of the broader 'East-West' confrontation as a phase-specific, historical tendency towards harmonisation, not necessarily as an ongoing one within the West.

With the phase of the 'New World Order' after 1989 and the geopolitical vacuum created by the collapse of the Eastern Bloc, the bipolar world was replaced by one dominated by the United States; nevertheless, this predominance has not translated into a new global hegemony given the context of intra- and inter-societal competitive relations, unstable markets, and a different balance between hard and soft forms of geopolitics.

Recent tendencies towards the transnationalisation of economic and other social processes have primarily led to macro-regional economic units that are only partially integrated politically; they nevertheless continue to require institutional state regulation using individual state resources and/or those of inter- or supra-national institutional entities (but thus far only to a limited extent). The further development of this trend precludes drawing short-term economic conclusions: even if corporations think and act ever more 'globally' (and draw on, for example, the infrastructural resources of multiple states), individual states must still rely on internationally competitive 'domestic' capitals and cultivate lasting relations with them, because they remain structurally dependent on successful capital accumulation within their respective territory. Even if we can demonstrate the tendencies towards the transnationalisation of power élites, we are still talking about rather fragile forms of cooperative inter- and/or transnational social action. Therefore, the potential for geopolitical conflict is inherent in both the socio-economic competition between individual states and e.g. currency competition. As my analysis of transformations in capitalist state sovereignty and geopolitical strategies substantiates, anarchic, contingent international and inter-societal relations are comparatively less consolidated institutionally, although international political institutions continue to develop and deepen. This network nevertheless represents a relatively incoherent regulatory context: within it, second-order compressions of power relations between conflicting interests bound together in only a partial compromise develop and continue to remain oriented on the power constellations of individual societies.

Finally, I must note the problem that it is only possible to reconstruct the relative weight between and among individual structural features of capitalism in a specific historical phase and in specific historical constellations on the basis of extensive empirical studies. In the current study, I have tended to discuss historical characteristics of each phase as parallel to each other, rather than in terms of the complex ways they interact and mediate each other; such analytical complexity and nuance is only possible in a detailed study of each historical phase and of each concrete historical constellation.

3. It is common in discussions on capitalist modernity to stress its 'civilising' tendencies and the 'growth of rationality' within the system. Indeed, with the establishment of capitalism and the concomitant differentiation between the political sphere and the sphere

of economic reproduction on the one hand, and, on the other, the ostensible suspension of dependent relations within private contracts that is constitutive of this mode of production, it became possible for the first time in world history *to imagine* how social reproduction might occur in society without one set of humans ruling over another. The *reality* of the capitalist mode of production, however, functions as an obstacle to realising this potential. On a general level, then, we can define the phenomenon of capitalist geopolitics as the explicit or latent practice by individual states to defend, secure, or increase their power both externally and internally, as well as to support the management of international public spheres in the context of worldwide economic dependencies and political fragmentation. Along these lines, Horkheimer and Adorno characterise 'imperialism' as 'reason in its most terrible form' within the context of their discussion on instrumental rationality.<sup>1</sup>

However, only by historicising the terms 'geopolitics' or 'imperialism' and by clarifying them within specific phases are these terms then able to provide us valuable insights into the various foreign policy options and strategies that individual states have internationally; to guard against both economistic and universal-historical, power-political oversimplifications; and to serve as a meaningful correction to idealistic theories of globalisation, modernisation, and civilisation.

What I have attempted to do in this study in terms of defining geopolitics or, more precisely, soft and hard forms of geopolitics cuts across the classical distinction between political and socio-economic phenomena. Varieties of geopolitics as a way of expressing international conflict regulation must be analysed in the historically changing context of the internal and external power relations that are subject to the various processes of both inter- and transnationalisation *and* 'nationalisation' at the individual state level.

At the international level, the geopolitical interests of individual states are often formulated and carried out in complementary ways or even in close cooperation with other individual states. Yet, at times, competitive relations lead to interstate conflicts. Because the intensity with which these conflicts are carried out varies, I have organised the various forms of international antagonisms discussed in this study along a continuum. The goal of this differentiation of geopolitical strategies is to characterise the multifaceted forms of competition and conflict that play out below the threshold of the open and direct use of violence or interstate war. This continuum includes conflicts within international political institutions, trade and currency conflicts, and certain soft geopolitical measures such as sanctions; it also includes hard geopolitical actions and confrontations that manifest as the threat of military violence and the exhibition of military capabilities, reveal 'discreet background information' about global power relations and, for example, have an impact on the implementational capacities of states in international institutions. Indeed, these hard geopolitical forms can culminate in their direct application. At the same time, both strategic military and technological developments and internal

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1. Horkheimer and Adorno 2002, p. 70.

power relations shape the scope within which various forms of military intervention play out. Even between the strongest states on earth, it is possible for conflicts to reach the point of using military power, although this generally happens in indirect ways. Based on internal power relations, the technological potential for destruction, and economic interdependencies, it is currently highly unlikely that conflicts between the strongest states will escalate into interstate wars.

Within the analytical framework I have used in this study, I have taken for granted the likelihood that unanticipated economic conflicts and/or the geopolitical conflicts related to them will occur. While the 'latency' of capitalist geopolitics endures, that is, the causes of geopolitics transcend the various phases of the world order, they are modified as well by socio-political forces in specific historical phases and constellations. In the context, then, of the post-1989 new world order, this latency has developed in a specific way: New forms of cooperative and competitive relations have been established that in the foreseeable future can result in manifest conflicts, as I indicated with the examples of late-developing economic development and the related process of the macro-regional, geopolitical rise of China. Whether the current international constellation of cooperation and conflict will remain stable or be made stable in future by a US-led world order politics remains an open question. The United States is the only state that is trying at the moment to carry out an imperial – meaning an international hegemonic – project. Yet these efforts are facing resistance. To a lesser extent, this applies to the narrower domain of the 'transatlantic partnership'. The desire held by US power élites (and shared by segments of other power élites) for a 'US Empire' is undermined by the reality of geopolitical rivalries within the international system, the instability of the world economy, and the competitive relations in the areas of monetary and currency relations. 'The world is more complex and dangerous than it was during the cold war. The decentralisation of military and political power, and the obduracy of the United States' ambitions to guide a virtually unlimited number of nations, are a highly inflammable mixture'.<sup>2</sup> Proof of this can be seen in the militarisation of foreign policy and in part domestic policy even within liberal-democratic societies.

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2. Kolko 2002, p. 147.



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